

## **A MESSAGE FROM THE CHIEF FINANCIAL OFFICER**

On March 10, 1997, one of the first actions Secretary Slater took upon assuming leadership of the Department of Transportation (DOT) was to emphasize the importance of sound financial management. DOT has made progress in improving financial management. And, we are committed to do much more.

I am pleased to present DOT's FY 1998 Chief Financial Officer Annual Report & 5-Year Plan. This report describes specific improvement activities we are implementing and results achieved to reform financial management in DOT, in support of governmentwide financial management goals, the Government Performance and Results Act (GPRA) and related legislation, and DOT's Strategic Plan and Financial Management Visions. Under the sponsorship of the DOT Chief Financial Officer's Council and the Financial Management Committee, the financial management community in DOT is working hard to modernize and upgrade our accounting systems, support the Administration's goal of achieving clean audit opinions on our financial statements, and take advantage of new technology to improve our business processes, reduce costs, and better serve our customers. To help make financial management work better in DOT we:

- \* Prepared DOT's first annual Performance Plan under GPRA, receiving Congressional leadership recognition as the "best in government".
- \* Are on target for "Year 2000" processing for our DOT-wide financial management systems.
- \* Made over 95% of employee salary payments by Electronic Fund Transfer.
- \* Saved approximately \$27 million in administrative costs in FY 1998 by using the Government Small Purchase Credit Card.
- \* Continued implementing automated travel management systems cutting the cost to process employee travel in half.
- \* Prepared DOT's second annual Audited Consolidated Financial Statement informing the American public of DOT's major programs and its financial position.
- \* Continued innovative financing techniques that supplement Federal funds with private and non-Federal public sector investment for transportation infrastructure.

We hope that the details of these activities, and several others described in this Report, give our readers a good picture of the many features in the new systems and processes we have developed and are working on that are helping to make government work better and cheaper. We know much more needs to be done; and, we are committed to meet the challenge as we move closer to achieving our financial management visions and support DOT's goal to create the best transportation system for America -- a system that is international in reach, intermodal in form, intelligent in character and inclusive in nature.

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Deputy Assistant Secretary for Budget  
and Programs



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## Introduction

### The DOT Organization

The U.S. Department of Transportation (DOT) is the Federal steward of the Nation's transportation system and speaks for transportation in the Federal government. It was created in 1967 to develop transportation policies and programs that contribute to providing fast, safe, efficient, and convenient transportation at the lowest cost—essentials to meet national objectives of economic growth and stability, security of the United States, and the efficient use and conservation of resources. Its creation brought under one umbrella a myriad of transportation missions and programs, some of which date back to the 1700s.

DOT employs almost 100,000 civilian and military people located across the country and the world. It includes the following organizations:

Office of the Secretary (OST)
United States Coast Guard (USCG)
Federal Aviation Administration (FAA)
Federal Highway Administration (FHWA)
Federal Railroad Administration (FRA)
National Highway Traffic Safety Administration (NHTSA)
Federal Transit Administration (FTA)
Saint Lawrence Seaway Development Corporation (SLSDC)
Maritime Administration (MARAD)
Research & Special Programs Administration (RSPA)
Bureau of Transportation Statistics (BTS)
Surface Transportation Board (STB)
Transportation Administrative Service Center (TASC)

These organizations are working together as *One DOT* to create the best transportation system for America, one that is *international in reach, intermodal in form, intelligent in character and inclusive in nature*.

### This Report

This Financial Management (FM) Status Report and Five-Year Plan highlights our major FM initiatives, future plans, and recent accomplishments. It shows how we are working to improve and reform FM in support of Government-wide FM goals and related legislation, and DOT's Strategic Plans and FM Visions.

The specific improvement activities we are implementing and the progress and commitment we have made to meet these goals and make financial management work better in DOT are described in the four sections of this report—*Improving Financial Systems, Improving Financial Information, Streamlining and Modernizing Financial Services, and Maximizing Financial Resources*.



DOT's progressive evolution of its aging financial system components to modern commercially available components is quickly taking shape. A new program is currently underway--"DELPHI"--which is moving DOT away from the existing inefficient Departmental Accounting and Financial Information System (DAFIS) to an advanced financial systems environment that will meet our current and future needs. This environment also

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DOT Financial Management Status Report &amp; 5 Year Plan—1998-2003

## Section 1: Improving Financial Systems

### Financial Systems Philosophy and Strategy

DOT has a strategic vision for an integrated financial management systems environment that provides valuable information for its program, budget, and financial managers. Financial managers have recognized that, despite DOT achieving a single, integrated accounting system, they are still challenged to do *more with less* and at the same time provide better and more reliable information, more quickly and more flexibly.....*and all at less cost.*

To achieve this strategic vision, the DOT is moving aggressively to evolve its aging financial system components to modern, commercially available financial applications. DOT believes commercial-off-the-shelf (COTS) solutions that automate best practices in financial management will meet its current and future financial system needs. The present financial systems exact a high cost for managing and maintaining "in-house" developed applications; require a lengthy and cumbersome change management process for meeting user needs; and, although temporarily configured to be Y2K functional, are not fully Y2K fixed or compliant.

DOT established a set of "high bar" characteristics that a COTS solution must meet. Systems with these characteristics are likely to give users a modern, advanced systems environment, reduce the cost of operation, and increase services to financial customers. They include:

- ◆ Commercial availability
- ◆ Flexibility/Maintainability at the functional user level (not programmers)

- ◆ Modular, tight integration of functional components
- ◆ Single source data capture
- ◆ Electronic routing and approval
- ◆ Web-enabled
- ◆ Electronic commerce capabilities
- ◆ Y2K compliance.

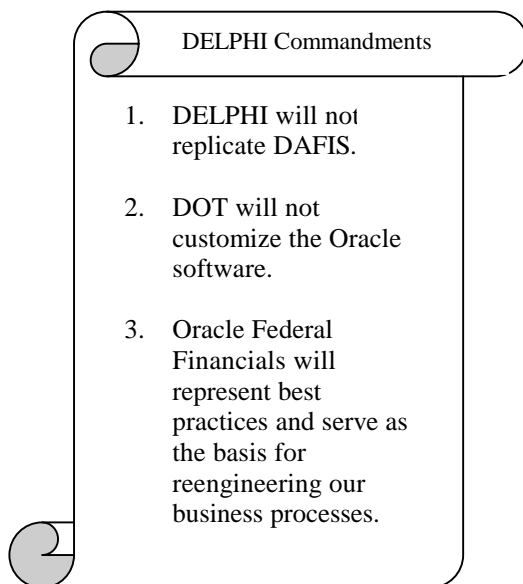
Armed with this criteria, the Office of Financial Management (OFM) conducted a study in the Spring of 1997 to determine whether DOT could evolve the Departmental Accounting and Financial Information System (DAFIS) to one that would meet the current and future needs of the Department. OFM formed an evaluation team with representatives from the U.S. Coast Guard, FAA/Mike Monroney Aeronautical Center, and the Federal Highway Administration to develop a DOT functional evaluation criteria document to assess commercial-off-the-shelf (COTS) systems.

After reviews by evaluation team members of potential General Services Administration Financial Management Supply Schedule candidates, the study concluded with an operational capabilities' demonstration (OCD) of the Oracle Federal Financial applications in December 1997. The OCD presented demonstrations of 25 "super scenarios" which assimilated the Department's most complex business processes as defined by the Operating Administrations (OAs), and incorporated the DOT functional evaluation criteria. Financial Management Committee (FMC) members completed formal evaluations of the expected results. Given the high percentage of expected results successfully demonstrated by

## Section 1: Improving Financial Systems

Oracle Federal Financials, the Deputy Chief Financial Officer endorsed its evolutionary use throughout the Department. Thus, came the birth of the “DELPHI Program”.

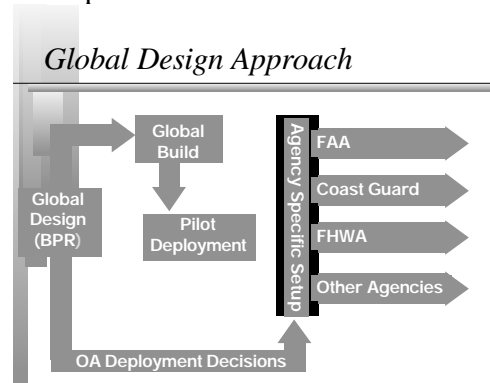
Based on the results of the OCD, DOT financial systems will be comprised of, but not limited to: (1) *corporate components*, such as a general ledger and a financial statement preparation facility; (2) *feeder systems*, such as budget, procurement, travel, grants, payroll, and personnel; and (3) *reporting systems*, using data warehousing technologies. Moreover, the Department established three “commandments” for the DELPHI Program:



The Department is using a “Global Design” approach for implementing DELPHI. DOT has categorized its functional requirements into three categories:

- ◆ Universal - requirements that are uniform and integral to all operating components of the Department.

- ◆ Standard - requirements shared by two or more operating components of the Department.
- ◆ Exception - requirements unique to a single operating component of the Department.



The DELPHI Global Design will include requirements of all three categories; however the Global Build will only include Universal and Standard requirements. The Global Build will serve as the “generic” configuration for DOT’s installation of Oracle Federal Financials, and will be implemented first as a pilot in the Federal Railroad Administration. During the Global Design and Build activities, the Operating Administrations will identify any exception requirements not included in the Global Build; begin making deployment decisions for their organization; and plan their individual implementations to occur following the installation of the pilot. Our plans call for all Operating Administrations to migrate to DELPHI by the middle of FY2001.

As the new millennium approaches, the CFO Council is continually reevaluating the visions and strategies of its existing FM Strategic Plan. This action will ensure our FM operations, systems, and policies continue to support DOT’s mission, goals, and programs.

## Section 1: Improving Financial Systems

### YEAR 2000

#### DOT Financial Systems Fixes

DOT's Y2K goal for financial systems is to have them fully renovated, validated, and implemented by the end of the 1998 calendar year - three months ahead of the OMB goal. We are on target for reaching that goal (See Appendix A). Over the past year, all Department-wide financial systems' application software was renovated and validated to be Y2K ready. These systems include the Departmental Accounting and Financial Information System (DAFIS), the Consolidated Uniform Payroll System (CUPS), the Consolidated Personnel Management Information System (CPMIS), and the Integrated Personnel and Payroll System (IPPS).

Full Y2K implementation of these systems requires that the computer environment, telecommunications, and feeder and extractor systems also be Y2K ready. All the Department-wide systems operate on the same computing environment, ICEMAN, which is contracted with the U.S. Department of Agriculture by FAA. As of September 1998, ICEMAN completed the installation and basic testing of a Y2K test environment. During the first quarter of FY 1999, ICEMAN will support integrated and forward date testing of applications in this Y2K environment. By the end of that quarter, all Department-wide financial applications will be installed and operating on a Y2K production environment.

The telecommunicationssystems which support both the Department-wide,

feeder and extractor systems are also scheduled for Y2K upgrade before the end of calendar year 1998. We continue to track the status of both the DOT telecom systems and the Government-wide telecom systems, i.e., FTS 2000.

By far the most nexus issue is all the feeder and extractor systems that interface with the Department-wide financial systems, particularly those that interface with DAFIS. We identified and are tracking the progress of these feeder and extractor systems to ensure timely completion of their renovation or replacement work. Of the 57 major systems interfacing with DAFIS, for example, 20 or 35 percent are currently Y2K ready. Only a few systems will not be ready by the beginning of the calendar year 1999. Because DAFIS and CUPS also interact with Treasury and other external DOT systems to make payments and capture receipt information, we have interface agreements with these data exchange partners on the nature of the Y2K interface changes.

Despite the considerable time, resources, talent, and energy in making these Department-wide financial applications Y2K ready, they will not be permanently "Y2K fixed." DAFIS, for example, is using a temporary fix, called Windowing, for performing Y2K date calculations and comparisons. The ultimate solution is to migrate the current system to take advantage of commercial off-the-shelf (COTS) software that is fully Y2K compliant - a process that is currently taking place in our DELPHI Program.

Target for Completion: December 1998



## Section 1: Improving Financial Systems

### Upgrading Systems



#### ◆ Travel

##### **PerDiemAzing Travel Management System (PDTMS)**

“Out” with manual travel processing. PDTMS is a COTS application that processes the full range of temporary duty and local travel transactions. It fully complies with the Federal Travel Regulation and the Joint Financial Management Improvement Program (JFMIP) Travel System standards. Implementation in DOT began with OST, TASC, and BTS. FHWA has begun implementation, first in their regional offices. By the end of FY 1999, FTA and MARAD should also be implemented, increasing DOT’s PDTMS user base from 800 to over 5,000. Approving officials can now approve travel at their desktops. PDTMS gets the proper amount of money to the traveler's bank account within *three or four business days* following approval of travel vouchers. This is because PDTMS interfaces electronically with DAFIS. Reimbursements no longer depend on paper vouchers and receipts flowing to the accounting office for processing, freeing travelers and their secretaries from paper processing of authorizations and vouchers. Instead, receipts are kept on file by designated individuals in each organization. These receipts only go to the accounting office if the respective electronic voucher is selected for post payment review (based on a statistical sample).

PDTMS will also stop the need for paper and people making their way to DOT’s Travel Management Center (TMC). Reservation requests for airline flights, rental cars and hotels can all be set up in PDTMS and electronically passed to the TMC for action.

The vendor for PDTMS, Aldmyr Systems Inc., continues to make product enhancements that will benefit DOT users. The latest enhancement, Version 4.0, will be put into production by the end of FY 1998. This new version will feature:

- ◆ A reservation service interface that allows certain travelers to book flights, hotel rooms and rental cars on a real time basis,
- ◆ An interactive tutorial available to all PDTMS users,
- ◆ Streamlined systems administration,
- ◆ Improved viewing capabilities for approving officials, and
- ◆ Compliance with Y2K.

With current PDTMS capabilities and DOT’s reengineered processes, the cost of processing travel transactions using PDTMS vs. manual and paper processing is cut in half.

##### **National Automated Travel System**

The National Automated Travel System (NATS) integrates the commercially available Travel Manager software with DOT's Departmental Accounting and Financial Information System (DAFIS) and the FAA's Travel Accountability

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System (TAS). NATS fully automates FAA's travel authorization and voucher process, which achieves economies in cost and time for travelers and support staff. In FY 1998, FAA completed the baseline version of NATS and implemented paperless travel processing at FAA's William J. Hughes Technical Center in Atlantic City, New Jersey. The FAA expects to deploy NATS at all regions and centers in FY 1999. Travelers will benefit from the system by receiving reimbursements for their travel expenses quicker and the agency will further benefit by having a travel processing system that is more efficient and paperless.

Target for Completion: FY 1999

### ♦ Accounts Receivable

The Oracle Financials Accounts Receivable Module that is being implemented within the Coast Guard will provide all users with easy to retrieve accurate information regarding the outstanding amounts owed to the Coast Guard. This system will give the user many features not available in the current system. These include management alerts (flags) which will inform the appropriate personnel when required actions should be taken regarding the billing, collection, or referral to Treasury of specific receivables. In addition, it will allow for more accurate and faster billings and quicker collections through the use of electronic lockbox transmissions. Several improvements will be available to support interactions with customers, including customizable billing letters which can provide better explanations of charges; recording of customer calls into an electronic file which should reduce

misunderstandings; and the ability to service customers when the DAFIS system is offline.

Target for Completion: FY 1999

### ♦ Cost Accounting System (CAS)

The Federal Aviation Reauthorization Act of 1996 (P.L. 104-264) directed the FAA Administrator to develop a cost accounting system that adequately and accurately reflects investments, operating and overhead costs, revenues, and other financial measurement and reporting aspects of FAA operations. FAA has begun the development of such a system that will permit the allocation of costs to users, support the collection of user fees and meet the mandate of recent legislation. A baseline system was commissioned on September 30, 1997. This system captured cost and obligation data for all organizations in FAA and provided prototype cost information for the Associate Administrator for Research and Acquisition. Currently, the Air Traffic Services (ATS) organization is developing CAS requirements for financial information; cost of service models to assign/allocate all ATS costs to provide enroute, terminal, oceanic and flight services; cost information reporting formats; and key performance indicators. The full cost of enroute and oceanic services, which will supply the cost of overflight user fees, will be operational in September 1998. The remaining requirements for providing the full cost of terminal and flight services will be implemented into the CAS during the first two quarters of FY 1999.

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In addition, detailed functional requirements for each Line of Business have been identified. A detailed system design is scheduled to be completed by January 1999 and full implementation is scheduled to be completed by April 1999. At that time the system will support project cost accounting and provide full cost information for all Lines of Business.

Target for Completion: FY 1999

### **Property and Procurement**

#### **Large Unit Financial System (LUFS-NT)**

LUFS-NT has been designed to be an easy to use and intuitive finance and procurement system for Coast Guard field use. It is currently being deployed Coast Guard-wide to replace an antiquated version of the LUFS software. LUFS-NT displays accounting and procurement forms in readily identifiable electronic paper formats that allow the electronic requisitions and orders to look and respond like a paper requisition. This will significantly reduce the time and training required to generate procurement documents. LUFS-NT supports electronic routing of documents and provides the ability to digitally sign documents thereby eliminating the need for routing paper documents. In addition, the new LUFS-NT has embedded electronic commerce features supporting web based electronic commerce with the vendor community; enhanced security controls that ensure better funds control; interfaces to the Coast Guard property system for better financial stewardship of assets; project, subproject, and task level project management capabilities; enhanced

reconciliation features; and, support for managing partial receipts and payments by accounting line by individual purchase items. Beta testing activities have been completed and LUFS-NT is being deployed to large Coast Guard administrative units. Coast Guard-wide deployment is not expected to be complete until late FY 2000.

Target for Software Development Completion: FY 1998

#### **Assets and Projects Accounting System**

In response to audit weaknesses identified in the financial statements for real and personal property, the Coast Guard will begin implementing Oracle Assets and Oracle Projects in October 1998, in order to have a single integrated financial management property system. Currently, the Coast Guard utilizes several stand alone asset systems for general purpose property, real property, vehicles and electronics. Except for general purpose property, these systems do not have actual acquisition costs, are not integrated with the accounting system, and do not perform depreciation. Also, the Coast Guard does not have a system for costing Construction in Progress (CIP). As a result of implementing Oracle Assets and Oracle Projects, all Coast Guard capital and accountable assets will be contained in one system and as construction projects are completed, new assets and capital improvements will be entered into the asset system.

Oracle Projects will enable a project manager to set up a project, capital or non-capital, and track all expenditures, including labor, materials and overhead,

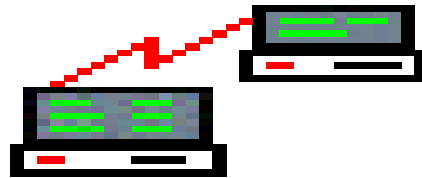
## Section 1: Improving Financial Systems

to these projects in a work breakdown structure which can be loaded automatically from Microsoft Project. All procurement documents will be posted to the project automatically through a feed from DAFIS/Management Information Reporting and Oracle Accounts Payable. Initially, this application will be used for CIP for Acquisition Construction and Improvement projects, civil engineering Operating Expenses projects, and Coast Guard industrial facilities projects and will be the official subsidiary ledger for CIP.

Oracle Assets will be installed as part of the new Coast Guard financial desktop at LUFS-NT sites. All real and personal property data will be centralized in one database at the Coast Guard Finance Center. Asset purchases will be posted to the system automatically through payables when matched with the receiving report from LUFS. Disposals will be fed automatically from Oracle Assets to the general ledger. LUFS-NT will have a new screen for property receipts containing all of the data requirements for the property system. When the LUFS user enters the detailed property data, this record will interface with Oracle Assets, thereby ensuring the matching of property and accounting records and eliminating duplicate data entry. In compliance with Federal Accounting Standards Advisory Board (FASAB) standards, all capital assets will be depreciated.

Target for Software Development Completion: FY 1998

### Workflow Image Network System (WINS)



WINS is a commercial imaging and invoice processing system established at the USCG Finance Center which integrates payment rules and procedures with document images in an automated “workflow” environment. The document images are linked to financial and payment data in a relational database. The imaged documents for payment are automatically “workflowed” by the system to specific points for user action. Based on specific system criteria or user actions, accounting and payment transactions are then automatically written to the accounting system. WINS:

- ◆ Provides automatic tracking and status of documents.
- ◆ Eliminates the need to handle and process large volumes of paper.
- ◆ Automatically controls and monitors the volume and level of work.
- ◆ Remote access permits users to be part of the process.
- ◆ Is the CG datamart for imaged financial documents

During FY 1998, the major portion of WINS was put into production. This phase was for the payment and tracking

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of purchase orders. It took basic COTS software and expanded it to replace the entire Voucher Examination Module (VEM). This portion of WINS has all the matching logic of a complete accounts payable system. Late in FY 1998, the basic COTS software package was used to bring 10 other types of documents into the production system. These include basic purchasing agreements (BPA), training invoices, Coast Guard auxiliary payments, SF-44 documents, supply fund payments for food and clothing items, claims and several others.

During FY 1999, the Coast Guard expects to bring all other payment types into the WINS system. In addition, remote access will be given to major contracting offices, and the WINS system will begin the process of serving as a data warehouse for finance and procurement information in the Coast Guard.

Target for Completion FY 1999

### **ACQUIRE**

In FY 1998 the FAA began implementation of the ACQUIRE system to modernize the agency's procurement automation support. This new system will replace two existing FAA systems, the System for Acquisition Management (SAM) and the Procurement Automated System (PAS). ACQUIRE will improve the productivity of more than 4,200 users nationwide as they generate approximately 274,000 documents annually. This initiative also supports the National Performance Review (NPR) by helping FAA reach the goal of reducing administrative

staffing by 50 percent. And, it will improve the agency's ability to ensure compliance with the OMB Circular A-127 Financial Systems. The system is expected to be fully operational at all FAA sites by December 31, 1998.

Target for Completion FY 1999

### ◆ **Project Tracking**

Streamlining and upgrading is in progress on FHWA's Fiscal Management Information System (FMIS). The FMIS is used by FHWA and the State DOTs to obligate and track projects comprising the \$22 billion per year Federal-aid Highway Program. The revised system will redefine the data elements resulting in fewer categories and improved quality of data, and, it will take advantage of improved user friendly technology. The new FMIS will also be web-enabled, allowing access with a standard Web Browser. The revised system is expected to be available for use by October 2000.

Target for Completion FY 2000

### ◆ **Human Resources Management**

Current Departmental personnel and payroll systems are approaching the end of their life cycle. The DOT Human Resources Management Information System (HRIS) project was established to deliver an intradepartmental, personnel, benefits, and payroll data processing and management information reporting system to replace the legacy systems. The HRIS will service OST and all DOT Operating Administrations except FAA, SLSDC, and STB. An early decision was made by DOT senior

## **Section 1: Improving Financial Systems**

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officials that the HRIS solution will be non-developmental.

The HRIS project team, lead by the Coast Guard Acquisition Directorate, performed an alternatives analysis to determine what the best solution for DOT would be, i.e., to acquire a COTS product or obtain personnel and payroll services from another Federal agency or commercial enterprise. The project team completed the study and concluded that a cross-servicing arrangement with a Federal agency would be the best solution for DOT.

The HRIS project team met with potential Federal service providers in preparation for selecting a provider. The team determined that the candidate systems' state of development and/or implementation was not as mature as had been projected in earlier site visits. As a result, the project team recommended and it was accepted by DOT senior officials that the project be delayed before selecting a service provider to allow the candidate systems to become fully mature. Secondary to this, the project team performed a cost benefit analysis to determine, as an interim solution, if there would be savings by immediately engaging a service provided for payroll services. The analysis showed that it would not be beneficial to DOT to go to a service provider for payroll services only. Selection of an HRIS service provider and a contract award is expected in June 2000.

Target for Completion FY 2002

## Section 2: Improving Financial Information

### Managing for Results -- The Government Performance and Results Act (GPRA)

FY 1998 was a milestone year in DOT's transition to managing for results. The Government Performance and Results Act (GPRA) of 1993, required agencies to create plans that identify their mission and strategic goals, set annual performance goals that are related to strategic goals, describe how goals will be achieved and the resources needed, and identify measures that will be used to gauge progress towards achieving goals. Two major planning products required by the law were delivered on schedule during this last year -- the DOT 1997-2002 Strategic Plan and the DOT Fiscal Year 1999 Performance Plan. Both have significant implications for financial and performance management within DOT.

DOT's first GPRA Strategic Plan was delivered to Congress, as required by law, on September 30, 1997. (DOT began strategic planning over 10 years ago, but not in the context of GPRA). A critical foundation piece for performance-based budgeting and management, the DOT Strategic Plan focuses resource allocation on five Department-wide strategic goals, each with measurable objectives. The completed plan reflects a cohesive, cross-modal vision for *what* the Department aims to accomplish (strategic goals) as well as *how* the Department aims to conduct its business (corporate management strategies). This plan aligns the efforts of the Operating Administrations and Departmental offices, and provides a framework for National Partnership for Reinventing Government (NPRG) initiatives. It also supports sound budgeting and financial management by

integrating policy development and resource planning across modes well ahead of the budget process. The DOT 1997-2002 Strategic Plan was the culmination of over two years of work within DOT to re-tool management thinking and processes around the strategic outcomes. It was particularly gratifying in October 1997, to have the Congressional leadership judge DOT's Strategic Plan as the best in government.

#### ***DOT Strategic Goals***

***Safety*** – Promote the public health and safety by working toward the elimination of transportation-related deaths, injuries and property damage.

***Mobility*** – Shape America's future by ensuring a transportation system that is accessible, integrated, efficient, and offers flexibility of choices.

***Economic Growth and Trade*** – Advance America's economic growth and competitiveness domestically and internationally through efficient and flexible transportation.

***Human and Natural Environment*** – Protect and enhance communities and the natural environment affected by transportation.

***National Security*** – Advance the nation's vital security interest in support of national strategies such as the National Security Strategy and National Drug Control Strategy by ensuring that the transportation system is secure and available for defense mobility and that our borders are safe from illegal intrusion.

The second GPRA "milestone" in 1998 was the completion of DOT's first annual Performance Plan, which was delivered to Congress with the Presidents Budget for FY 1999. The FY 1999 DOT Performance Plan serves as the comprehensive link between the program activities found in each Operating Administration budget and the Department's overall mission and strategic

## Section 2: Improving Financial Information

goals. Most critically, the Performance Plan presents 73 performance measures which the Department will use to assess its progress in FY 1999 towards achieving its long range strategic goals. The plan organizes the presentation of these annual performance goals into five sections—one for each strategic goal area. Within these five DOT strategic goal areas, budget program activities are grouped together according to annual performance goals they support. In this manner a clear line can be drawn from the mission to the strategic goal, and finally to the performance goals, strategies, and requested resources.

The relationship between the performance plan's structure and the DOT budget is worth further discussion, since it gives insight into managing for results and financial accountability. The DOT Performance plan is organized generally by major outcome areas, like aviation safety or transit mobility. The account and activity structure in the DOT budget varies by Operating Administration, but generally it is not organized by outcome area but rather by grouping similar kinds of activities or activities with a common funding mechanisms. Given the relationship between budgeted program activities and outcomes—multiple programs promote single outcomes and single programs promote multiple outcomes—perfect alignment between budget and outcomes was not possible. The Department's performance plans does make explicit links between performance outcomes and the Departments budget. Closely related performance goals are grouped together, and the associated program activities and resources are shown. In some cases, all program activities within an account may be related

to the same performance goals. More commonly, the program activities within an account aim at different goals, and sometimes individual program activities aim to affect multiple goals. But each account and each major program activity can be traced to at least one performance measure in the plan.

Where DOT has been challenged is in accounting for both the primary and secondary impacts of budget activities. Program activities typically influence more than one outcome area, and therefore often they are associated with multiple performance goals. For example, building a new highway may affect travel time, congestion costs, emissions and land use, safety, and even national security. At the same time, achieving these outcomes typically requires efforts across multiple program activities. For this reason, there will never be a clean, one-to-one relationship between funding and outcomes. The aggregated approach in the DOT Performance Plan reflects a reasonable compromise between completeness and clarity in this respect. It associates program activities and obligations with the primary purpose of the program, notes other programs which also contribute significantly to the same goals, and does not double-count resources.

DOT will certainly continue to reexamine this approach for its utility in the budget and management processes. We also plan a closer link between performance accounting and cost accounting, as we refine our processes. DOT is committed to accurate cost accounting, and sees this as integral to improving the efficiency with which the Department manages for results. To this end, DOT is investing in



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improved financial systems, based on state of the art data systems, that will provide the flexibility to better associate dollars with activities, outputs, outcomes, and performance goals. The FY 1999 Performance Plan was the Department's second major step in FY 1998 toward managing for results, and DOT believes that it builds solidly on the Department Strategic Plan. It was particularly gratifying, then, in April of this year to have Congress evaluate it in the same manner as the Strategic Plan and assess the DOT Performance Plan-- like the DOT Strategic Plan -- as the best in government.

### Financial Statements Progress

#### A Head Start on New Requirements

For FY 1997 DOT prepared its second audited consolidated financial statement which presented to the American public a comprehensive overview of DOT's major programs, overall financial position, and resulting benefits and services. This year's report also showed DOT's increased focus on implementing the GPRA. In addition to the consolidated report, stand-alone statements were prepared and audited for the Highway Trust Fund, the FAA, and the SLSDC. Although not required for FY 1997, DOT got a jump start on OMB Bulletin 97-01, which contains significant changes in form and content, by using these new requirements in preparing the FY 1997 Balance Sheet and Statement of Budgetary Resources. We believe this test, and the lessons learned which were passed on to OMB, will be beneficial to the Government-wide implementation of the new FY 1998 financial statement formats. Also, DOT has contracted with the Oracle Corporation to develop a replacement

DAFIS Financial Statements Module, as an interim solution pending DELPHI implementation, to alleviate the present cumbersome process of assembling and categorizing financial data to produce external reports and financial statements. Some impediments in the consolidated statement preparation process and how we overcame/plan to overcome them are discussed in Appendix B.

#### Results of FY 1997 Audited Financial Statements

The separate Highway Trust Fund financial statement, which accounts for approximately 60 percent of the Department's current budgetary resources, received a qualified opinion from the OIG. It would have received an unqualified opinion for the second year in a row barring problems with Treasury records (outside the control of DOT) resulting in the OIG being unable to obtain independent verification or otherwise satisfy themselves as to the reasonableness of trust fund revenues at Treasury. The SLSDC is subject to the Government Corporation Control Act and reports separately under that authority. The dollar level of its activities is not material to Departmental totals and was not included in the consolidated financial statements. SLSDC received a clean opinion as it has done since its inception. The separate FAA financial statement received a disclaimer of opinion due primarily to weaknesses relating to supporting records for property, plant, and equipment and operating materials and supplies. Similar problems exist with the Coast Guard, where problems were also noted with the actuarial liability for post-retirement health care benefits and military retirement pay. These problems, therefore, impacted the DOT consolidated financial statement

## Section 2: Improving Financial Information

with a disclaimer of opinion. DOT continues to take necessary corrective actions on these issues to move towards unqualified audit opinions, as mentioned further in this report.

FY 1997 was the first year for which the OIG also reviewed DOT compliance with the provisions of the Federal Financial Management Improvement Act (FFMIA) of 1996. The OIG viewed DOT as not in substantial compliance with FFMIA,

mainly due to unfinished work relating to FAA and USCG property and inventory, weaknesses in DAFIS support of financial statement balances, USCG actuarial liability problems, and uncompleted Y2K assessments. Y2K assessments have now been completed, as reported to OMB in August 1998. Remedial plans for the remaining items (Appendix C) have been developed and actions are on target to bring DOT into compliance with FFMIA.

### Financial Statement Progress

	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96<sup>2</sup></u>	<u>FY 97</u>
<b>Financial Statements</b>						
Prepared	9	9	9	8 <sup>1</sup>	4	4
Audited	4	5	9	8	4	4
<b>Results of Audits</b>						
Opinions: Unqualified	1	1	2	4	2	1
Qualified	--	1	2	3	--	1
Disclaimed	3	3	5	1	2	2

<sup>1</sup> Only eight FY 1995 statements were prepared and audited because, in FY 1994, Washington Metropolitan Area Transit Authority refinanced its debt eliminating any federal liability and reporting responsibility.

<sup>2</sup> Coverage of DOT accounts changed from FY 1995 to FY 1996 with the Government Management Reform Act requirement that financial statements, beginning with FY 1996, be prepared and audited for all DOT activities instead of trust, revolving, and commercial funds only. Except for three stand-alone statements, the FY 1996 consolidated financial statement replaced most individual statements reducing the number of statements from eight to four.

## Section 2: Improving Financial Information

### **Making Clear, Steady Progress**

The Office of the Chief Financial Officer, the DOT Operating Administrations, and the OIG worked together to ensure that the FY 1997 audited financial statement process was a top priority. The focus was on correcting problems raised in previous audit findings and addressing recommendations, particularly those of material quality or significant magnitude, to move the Department toward unqualified audit opinions. Corrective actions for 44 of 77 recommendations contained in prior year OIG audit reports were completed. Both the FAA and Coast Guard are executing detailed and aggressive action plans to correct the property records and other related weaknesses. Corrective actions on these prior year audit recommendations are expected to be completed by the end of FY 1999.

MARAD corrected all material weaknesses previously identified for property, plant and equipment, and operating materials and supplies. DOT continues to learn new lessons from the consolidated financial statement preparation and audit process, while Departmental program managers as well as financial managers benefit from the insights and issues raised. Lessons learned from previous years have enabled DOT to continue to make improvements in the timeliness and quality of our financial statements. DOT's improvement efforts will continue as we work in support of the Administration's goal of obtaining an unqualified opinion of the Government's FY 1999 financial statements.

### **Executive Reporting Framework (ERF)**

The DOT Executive Reporting Framework (ERF) was developed under the sponsorship of the CFO to bring together financial, program, and performance data and information in a way that can be used by policy officials, senior executives, and program managers to help them perform their jobs more effectively. It supports the Government Performance and Results Act (GPRA). It is designed to give complete, consistent, reliable, and timely information and provide an environment that fosters cross-cutting identification, analysis, discussion and resolution of issues. ERF accesses data from departmental financial systems and from financial and programmatic systems in use by the various OAs. It was developed using off-the-shelf software which supports analytical needs and has drill down analysis and flexible reporting capabilities.

ERF provides tools for management to monitor the execution of their budgets and to track OA grants. Reports summarizing various activities and programs are distributed monthly to senior management, and access to the information for analytical and other purposes is available to DOT users upon request. Appendix D shows some typical reports available from ERF. During FY 1998, a "what if" outlay scenario model capable of determining the reduction rate necessary to achieve a particular outlay level for a set of programs was developed using these tools. This model will allow quicker analysis of various scenarios and proposals that the budget office is called upon to examine.

Target for completion: FY 1998

## Section 2: Improving Financial Information

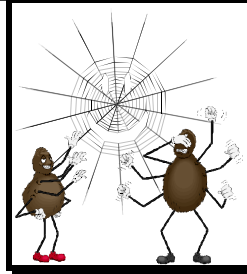
### DAFIS Management Information Reporting (MIR)

The DAFIS MIR Datawarehouse continues to be the main source of *day-to-day* financial management information for the Department. A warehouse of financial data from 1995 to the present, the MIR database is updated daily through an overnight process which provides the user with virtually the most current and accurate data for input into commercially available desktop management tools such as spreadsheets and graphic packages. Efforts are in progress to fully automate the download process from core DAFIS which will eliminate the need for manual intervention and make the updated data available to the user even more timely.

Facts and Figures Quick (FAFQ), a windows based, user friendly, graphical software, has been adopted as the DOT standard front-end enhancement for MIR. This program was developed and designed to provide program managers and others, unfamiliar with formal Federal accounting and budgeting, quick and easy access to frequently used financial information. During 1998 FAFQ was enhanced to include a unique user ID "sign on" which give users access to the MIR database without having to sign on to core DAFIS. Other enhancements included additional DAFIS inquiries and data elements that were made available to users. An updated software version of FAFQ, which will give additional views and other refinements will be released shortly and is expected to be in production by October 1, 1998. In the near future, FAFQ will be web-enabled which will eliminate the need to have the software at the clients' workstation. FAFQ presently has approximately 808

users throughout the Department, up from 260 users last year.

<http://ostpxweb.dot.gov/budget>



**Click Here  
for Financial Information**

DOT's CFO Web Page on the Internet serves as a powerful tool of information technology by providing a one-stop source of reference information for DOT's financial managers and other clients.

Users no longer need to spend time researching libraries, government financial manuals, and other office files to find the information they need to do their daily work. The site promotes efficient distribution of reports and documents and increases communication between headquarters and field offices. Individual section tags such as Reports, Budget, Travel, and Systems enable users to quickly find their areas of interest. DOT's Financial Management Directives, Consolidated Financial Statements Reports, FMFIA Reports, travel guidelines for employees, DOT's Annual Budgets, systems development information on accounting, payroll, travel management and information reporting systems, and much more are only a mouse click away.

## Section 2: Improving Financial Information



**Links to:**

FinanceNet  
OMB Circulars  
Treasury Financial  
Manual  
Thomas Legislative  
Tracking  
Federal Travel  
Regulations  
BudgetNet  
Fed World

The CFO Web Page also has hyperlinks to many valuable external financial resources such as OMB, Treasury, GSA, and other central agency policy directives and requirements, status of legislative actions, and several other government financial reference sources and organizational activities.

CFO staff maintain the Web site themselves allowing prompt updates and revisions. During this Fiscal Year, enhancements were made to permit quicker and easier access to all users, including users with the lowest common denominator Web browsers. Internally, the CFO office also utilizes DOT's Intranet for information sharing within the DOT financial management community.

Upcoming features planned for the CFO site include a web counter application to identify readers' areas of interest and usage trends, push technology to automatically alert the DOT financial management community of additions and revisions to our site as they occur, and a registration form to obtain feedback from users. To read more about our activities and our organization, visit us at **<http://ostpxweb.dot.gov/budget>**

## Section 3: Streamlining & Modernizing Financial Services

### Effective Tools for Cash and Debt Management

#### Electronic Funds Transfer

The Debt Collection Improvement Act of 1996 (DCIA 96) requires electronic funds transfer of all new payments after July 25, 1996 and *all* payments after January 1, 1999. DOT OA's met the first requirement and established milestones for meeting the FY 1999 target. Good progress is being made! In the Federal Government Direct Deposit/EFT program for employee payments, for example, DOT's participation rate is 95.1 percent at September 30, 1997. To make enrollment in this program easier, DOT created a one-stop sign up program for new employees for direct deposit of their payments, e.g., salary and travel reimbursements, etc. Efforts continue on moving vendor and miscellaneous payments to EFT. Volpe Center, for example, was the first Government agency to pay a telephone company by EFT, and has eight of its eleven Government telephone partners using EFT. As of June 30, 1998, the Volpe Center is paying 95.1 percent of its contractors via EFT.

Target for Completion: FY 1999

#### Payment Performance Highlights

	FY 1996		FY 1997	
	# of Transactions	% of Total	# of Transactions	% of Total
<b>EFT:</b>				
- Salaries	2,358,000	94.1	2,335,000	95.1
- USCG Ret. Pay	325,849	89.3	350,000 est.	87.5
- Vendor & Misc.	153,000	27.7	374,000	39.0
<b>Prompt Pay:</b>				
- On Time	795,658	92	513,259	92.7
- Interest Penalties	40,820	4.7	30,765	5.6

### Debt Referrals to Treasury

The Debt Collection Improvement Act of 1996 also provides for referral of debts over 180 days delinquent to Treasury for offset or collection (cross-servicing). DOT continues to work with Treasury on debts appropriate for cross-servicing. As of March 31, 1998, DOT has referred \$9 million of such debt to Treasury. DOT also referred over \$80 million of delinquent debt to the Department of Justice as of September 30, 1997. We continue to work with Treasury on additional debt appropriate for cross-servicing.

#### Debt Management Performance Highlights

(\$ in millions)

	FY 1996	FY 1997
Direct Loans and Non-Credit Receivables	\$517	\$633
Collection of Receivables	118	247
Delinquent Debt	160	182
Write Offs	27	14
Tax Refund Offsets	.3	.3
Civil Penalty Collections	32	71
Referred to Treasury	-	4.3
Referred to DOJ*	90	80

\*Includes loan guarantee defaults

### Eliminated Imprest Funds

By using credit cards, ATM's, Travelers checks, and other payment methods, DOT was able to close most of its imprest funds and get away from the costly practice of maintaining large balances of idle cash. DOT had 608 imprest funds which held over \$6.3 million in cash outside of

## Section 3: Streamlining & Modernizing Financial Services

Treasury. By closing 547 imprest funds, approximately \$200,000 in interest cost is being saved annually. Waivers from closure were granted to four OA field offices and 57 USCG ships to assure operational objectives could still be accomplished. The USCG ships, however, minimize their fund balances when they are in home port for extended periods.

### Government-wide Small Purchase Credit Card Program

DOT continues to achieve substantial dollar savings and other benefits by using the Government-wide Small Purchase Credit Card Program (IMPAC card) as a cost effective and efficient means of acquiring products and services, as compared to processing paper based purchase orders. Use of the card, mostly for purchases under \$2500 at the present time, helped significantly in DOT's ability to close imprest funds since a significant number of imprest fund transactions were previously for small purchases. Progress this past year was significant. From July 1997 to July 1998, DOT increased the number of credit card transactions from approximately 451,000 totaling \$157 million to approximately 498,000 totaling \$181 million. More importantly, at \$54 per transaction this level of activity for July 1997 to July 1998 represented an administrative savings of about \$26.9 million over the use of paper based purchase orders. For added administrative efficiencies, USCG is cross servicing payment processing for FTA, FHWA, OST, BTS and STB.

In FY 1998, DOT is moving to a new small purchase card contractor, (NationsBank). Value added features available for potential use include stored

value cards, debit card services, ATM, Inter/Intragovernmental purchases, hybrid card, photo ID on cards, and net billing.

### E-Mail Invoices



The Coast Guard Finance Center has implemented a process that allows vendors to submit invoices via electronic mail. This new process benefits vendors by eliminating postal service mailing costs and associated delays in payment processing time at the Finance Center, resulting in faster payments to the vendor. The Coast Guard also benefits by increasing prompt payment discounts and mitigating late payment penalties. All that is required of vendors is to simply attach the properly formatted invoice (e.g., jpg, tif, pcx, doc), to an electronic mail message addressed to "invoices@fincen.uscg.mil".

In addition, vendors can check the payment status of their invoices at any time by submitting an e-mail to customer service at the Finance Center. In the near future, the e-mail invoice process will be enhanced by giving vendors electronic commerce "web form" invoice capabilities which will match the "web form" purchase order capabilities in USCG's LUFTS-NT finance and procurement system. This will allow vendors to create invoices directly from the Coast Guard purchase order eliminating the rekeying of data and resulting in a more efficient bill paying process.

Target for Completion of Software Development : FY 1998

## Section 3: Streamlining & Modernizing Financial Services

### Electronic Grants

#### Electronic Signature Billing

FHWA's Electronic Signature (ELSig) billing process for grant payments permits States to bill FHWA in a truly paperless environment. It facilitates same day payment enabling FHWA and the States to minimize the potential for interest payments under the Cash Management Improvement Act. A significant improvement to FHWA's Current Billing System (used to reimburse the 50 State DOT's, plus DC and Puerto Rico, approximately \$20 billion each year). ELSig has now been implemented in all but Mississippi and Puerto Rico, which are in various stages of testing the new process.

Revisions to the Current Billing System are also in process to automatically edit the amounts being billed for each project against the available project agreement. At the present time this check is being performed as a post audit. When overpayments occur, an error listing is generated requiring the State to provide a credit, generally within 30 days. Automating this process will virtually eliminate overpayments and reconciliation work, saving both FHWA and the States staff time and dollars.

Additionally, the mechanism used to perform wire transfers has been changed from the Federal Reserve's FOX payment system to the Treasury's Electronic Certification System. This change permits the transmission and warehousing of payments, to further ensure that payments will be made within the required timeframes.

#### Electronic Grant Making/Management

FTA continues to move into the electronic environment for grant management. Graphical User Interface applications for Electronic Grant Making/Management (EGMM) functions, which will allow all routine grant business with FTA to be conducted electronically, are scheduled to be fully operational for FY 1999. These functions will streamline the business process for 85 percent of FTA's management and oversight functions for the 7,000 active historical grants and the 2,000 new applications that have been received during FY 1998. FY 1998 has been the transitional year from the old technology for both the FTA staff and 120 pilot grantee organizations.

Target for Completion: FY 1999

#### Consolidated Planning Grants

FTA and FHWA have implemented a Consolidated Planning Grant (CPG) initiative which combines planning funds from both agencies into a single consolidated grant. In FY 1997, FTA and FHWA began offering States the option of participating in a pilot of the program for FTA's Metropolitan and Statewide programs and FHWA's Metropolitan Planning (PL) and State Planning and Research (SPR) programs. Currently eleven States are participating in the pilot program. Total CPG obligations for the pilot since inception in FY 1997 through mid-June of FY 1998 equal nearly \$47.5 million. FHWA funds account for just over 70 percent of total obligations almost 2/3 of which have already been disbursed, e.g., drawn down by the States to pay for planning program expenditures.



## Section 3: Streamlining & Modernizing Financial Services

States have a single point of contact with FTA/FHWA for planning activities and programs.

### **New DOT Travel Management Service Contract**

DOT awarded an innovative fee-based travel management services contract for headquarters operations in November 1997. As a result of this procurement effort, DOT established a model for the Federal Government of a fee-based contract which provides incentives for improving the quality of travel services, adapts to changes in automation and aligns the interest of the travel management contractor with the DOT. The ticketing fee based structure serves the dual purpose of helping DOT move towards an automated travel environment and ensuring that the quality of travel services provided will not decrease due to fluctuations in the compensation of travel agents by airlines and other travel suppliers. Some of the unique contract features include:

#### ◆ ***Incentives to Move to Automating Travel***

The ticketing fee based process established a menu of fee based services charged by the travel management contractor for making travel reservations. This variable ticketing fee structure encourages the use of automation by charging less for using automated means when making the reservations. Under this scenario, the increasing use of automation by DOT travelers would lessen the travel management contractor's staff time, costs, and, consequently, DOT costs.

#### ◆ ***Aligning DOT and the Travel Management Services Contractor's Interests***

Under the process previously used by DOT and currently used Government-wide, the Department's travel management contractor kept the bulk of the commissions using them to fund their operating costs and profits. A travel management contractor would pay DOT a rebate of a portion of the commissions received from the airlines. The rebate became a key factor in the award of Federal travel contracts. This type of structure meant that the award of the contract was mainly based on economic factors. It was directly tied into the amount of commissions paid by the airlines to travel agents. When the airlines cut these commissions, the travel agencies' with a reduced level of operating funds frequently decreased the level of service to Federal agencies. Under the new travel contract, DOT collects all domestic airline, hotel and car commissions and pays the travel management contractor fees for specific reservation services. This compensation method eliminates the travel agency's dependency on fluctuations in airlines commissions and enhances the prospect that the new travel contractor will give excellent service to travelers regardless of any future changes in commissions paid by the airlines.

#### ◆ ***Creating Opportunities to Save***

Contract provisions were developed to give the travel management contractor incentives for saving Federal travel funds. For example, the travel management services contractor is rewarded for pursuing travel savings in areas such as

## Section 3: Streamlining & Modernizing Financial Services

selective tracking of frequent traveler programs to maximize free tickets, negotiating preferred hotel and car rates, and using newly developed automation products to achieve travel savings.

### ◆ *Incentive Program and Quality Standards*

DOT structured a contract which would reward better quality with greater participation in the savings while at the same time ensuring that the quality of services would not be compromised while attempting to achieve these savings. To assure DOT travelers that commercial standards of quality of service and accommodations would be achieved, DOT developed quality standards which would have to be met before the travel management contractor participates in the savings. Some of these quality standards include measures for accurate and confirmed reservations, phone response time, travel satisfaction and policy compliance.

Target for Completion: FY 1998

### **FAA Administrative Services Franchise Fund**

The FAA Administrative Services Franchise Fund completes its' second year of operation at the close of FY 1998. The franchise fund concept involves the application of market forces and business-like practices in the performance of support services. Organizations that currently excel in providing a product or service can gain further efficiencies through consolidation or partnering with other like activities. Both the Government agencies and taxpayers

benefit through direct cost reductions or indirect cost avoidance.

In addition to the financial management (FM) functions of accounting, payroll, travel, and information technology, the franchise fund offers multi-media services, printing, and management and international training. Current FM initiatives of the franchise fund include work to improve financial systems including a franchise billing process, participation as a pilot program in the implementation of the FAA cost accounting system, and development of measurement and evaluation processes in conformance with the Government Performance and Results Act (GPRA).

### **DOT Cross Servicing Activities**

Opportunities for streamlining financial management activities have not been ignored in DOT. Some cross servicing arrangements are within DOT and cover both Department-wide activities and multiple organizational activities, while others are between DOT and other Departments. The chart on the next page shows these activities.

## Section 3: Streamlining & Modernizing Financial Services



### DOT Financial Management Cross-Servicing Activities

Service Provider	Activity	Service Receiver *
FAA	Accounting Operations	OIG, NHTSA, RSPA (except Volpe Center)
FAA	Civilian Payroll Systems	DOT-wide (except STB & NTSB)
FAA	Cash Management Operations	DOT-wide
FAA	Financial Systems Operations/Maintenance	DOT-wide
FAA	Permanent Change of Station Processing	DOT-wide (except USCG, part of FHWA processing, and Volpe Center)
FTA	Accounting Operations	TASC, OST, BTS, STB
FTA	Grant Payments	FAA
MARAD	Fed-Wire Payment Processing	FHWA
TASC	Personnel Management Information	DOT-wide, NTSB
TASC	IT Procurement Mechanism	Government-wide
USCG	Credit Card Payments	OST, FHWA, BTS, FTA, STB
FHWA	Third Party Drafts	DOT-wide (Nassif Bldg.)

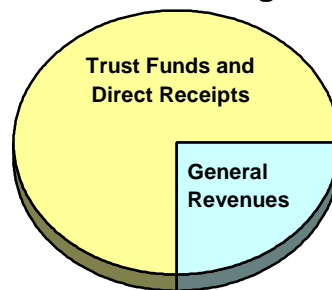
\*Excludes SLSDC

## Section 4: Maximizing Financial Resources

### Where the Funds Come From

DOT's budget is supported primarily by two types of revenue sources: (1) trust funds and direct receipts and (2) general revenue funds. Trust funds derive revenue from special fees, such as motor fuel taxes and airline ticket taxes. More than two-thirds of the Department's funding is derived from trust funds and other fees. The two largest trust funds, the Highway Trust Fund and the Airport and Airways Trust Fund, account for most of DOT's funding and support the Department's programs for maintaining and improving transportation infrastructure. General revenue funds are obtained from the general taxes of the United States.

**FY 1998 DOT Budget**



### \$\$\$ for the 21<sup>st</sup> Century

#### Transportation Equity Act for the 21st Century (TEA-21)



On June 9, 1998, the President signed into law the Transportation Equity Act for the 21st Century (TEA-21) authorizing highway, highway safety, transit and other surface transportation programs for the next 6 years.

TEA-21 builds on the initiatives established in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). This new Act combines the continuation and improvement of current programs with new initiatives to meet the

## Section 4: Maximizing Financial Resources

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challenges of improving safety as traffic continues to increase at record levels, protecting and enhancing communities and the natural environment while providing transportation, and advancing America's economic growth and competitiveness domestically and internationally through efficient and flexible transportation.

### ***Significant features of TEA-21 include:***

- a. Assurance of a guaranteed level of Federal funds for surface transportation through FY 2003, keyed to receipts of the Highway Account of the Highway Trust Fund for highway funding and a selected fixed amount for Transit funding.
- b. Extension of the Disadvantaged Business Enterprises program.
- c. Strengthening of safety programs across the Department of Transportation including new incentive programs, with great potential for savings to life and property.
- d. Continuation of the program structure established under the ISTEA legislation and addition of new programs such as Border Infrastructure, Transportation Infrastructure Finance and Innovation, and Access to Jobs which target special areas of national interest and concern.
- e. Investment in research and its application, with special emphasis placed on deployment of Intelligent Transportation Systems to help improve operations and management of transportation systems and vehicle safety.
- f. Extension of the of highway-user taxes through September 30, 2005 at the same rates in effect prior to TEA-21 enactment. These taxes consist of taxes on highway motor fuel and truck related taxes, including an annual tax on heavy vehicle use, a weight-based tax on heavy truck tires and a retail sales tax on truck and trailer sales. Most of these taxes would have expired after September 30, 1999.

### ***Significant features of TEA-21 financing include:***

- a. Guaranteed spending levels: Highway and transit discretionary programs are guaranteed a floor (a minimum level of spending) by new budget categories which effectively establish a budgetary "firewall" between each of those programs and all other domestic discretionary programs. Previously the highway and transit discretionary programs competed for annual budgetary resources with most other domestic programs.
- b. Authorizations and Spending: The minimum level of spending amount for highways is keyed to the projected receipts to the Highway Account of the Highway Trust Fund and will be adjusted as new receipt projections and actual receipts become available. The guaranteed funding for transit programs has a single component—the minimum level of spending amount—which is not keyed to Trust Fund receipts.
- c. Increases and Decreases: A portion of any increase in receipts to the Highway Account is reserved for the Federal-aid highway and highway

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## Section 4: Maximizing Financial Resources

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safety construction programs allocated by the Secretary of Transportation—programs that are not apportioned by statutory formula. Should a decrease be necessary, the reductions would be made in the succeeding fiscal year and applied proportionally to all Federal-aid highway and highway safety construction programs except Emergency Relief.

- d. *Obligation limitations*: Spending limitations are applied to most programs. However, obligation limitations set aside each year for certain programs (e.g. Woodrow Wilson Memorial Bridge) do not expire if not used by the end of the fiscal year, but can be carried over to future years. Limitations for research and technology programs may be carried over for 3 years.

### Using Innovative Financing to Supplement Federal Funds

DOT continues to build on opportunities provided by transportation legislation by using innovative financing techniques that move construction projects ahead faster, cut red tape, and supplement Federal funds with private and non-Federal public investment. The Transportation Infrastructure Finance and Innovation Act (TIFIA) of TEA-21, will continue this practice. It will provide Federal assistance to major transportation projects of critical national importance, or which cross jurisdictions or traditional modal boundaries and sometimes have trouble getting the funding despite their value.

TIFIA's purpose is to fill gaps in market funding or to leverage additional non-Federal resources. It does this through

direct Federal loans, loan guarantees, and standby lines of credit. Selection will be based on the extent to which a project generates economic benefits, leverages private capital, and promotes innovative technologies. TIFIA's \$530 million of contract authority could support up to \$10.6 billion of credit assistance for everything from roads and bridges to freight transfer facilities to MagLev systems. To qualify, a project must cost at least \$100 million or 50 percent of a State's annual apportionment of Federal-aid funds, whichever is less, it must be supported in whole or in part from user charges or other non-Federal dedicated funding sources, and it must be included in a State's transportation plan.

### ***\*\* State Infrastructure Banks (SIBs) Program***

Another major initiative that is enhanced in the current legislation is State Infrastructure Banks, or SIBs. SIBs use Federal seed capital to leverage private investment through loans and credit enhancement assistance, and are meant to serve as ongoing, revolving loan funds. As projects are implemented, loans are repaid to the SIB and the proceeds are used for new projects in a continuing cycle. Previously 35 States were authorized to capitalize SIBs. TEA-21 establishes a new SIB pilot program for 4 more States. \$328 million in SIB loans will support 31 projects, leveraging \$1.9 billion in construction. The previous capitalization limit, 10 percent of a State's Federal funds, has been lifted, enabling these States to determine the level of funds they need to make their SIBs work.

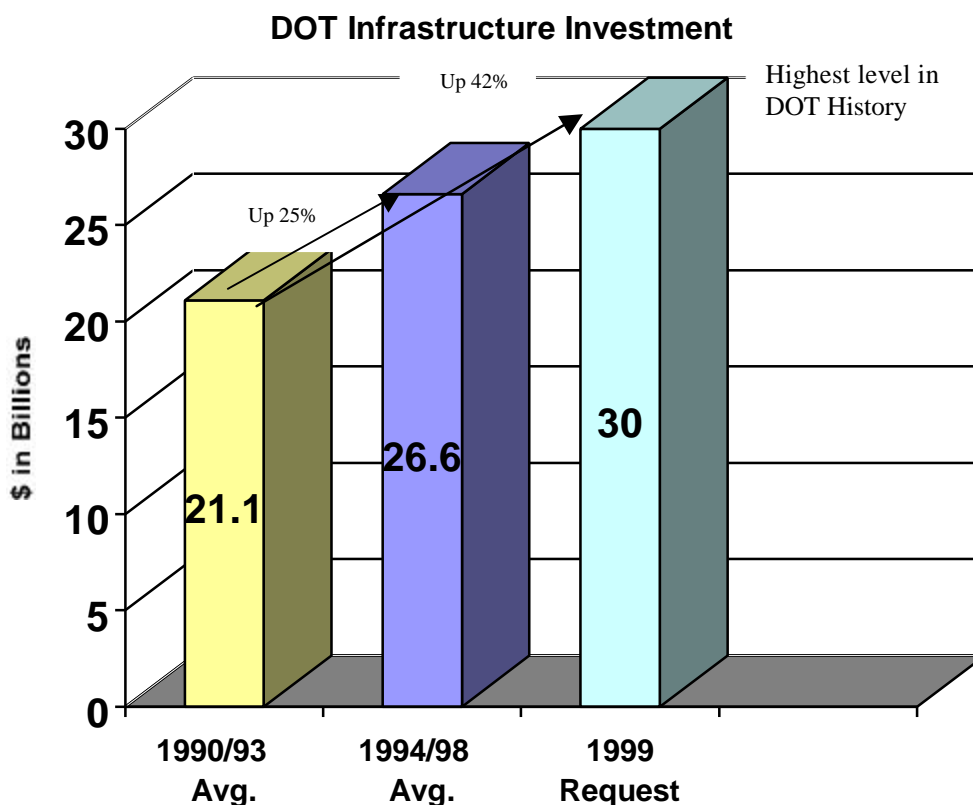
In addition, the kinds of projects SIBs can support are broader and more intermodal.

## Section 4: Maximizing Financial Resources

### Where the Funds Go

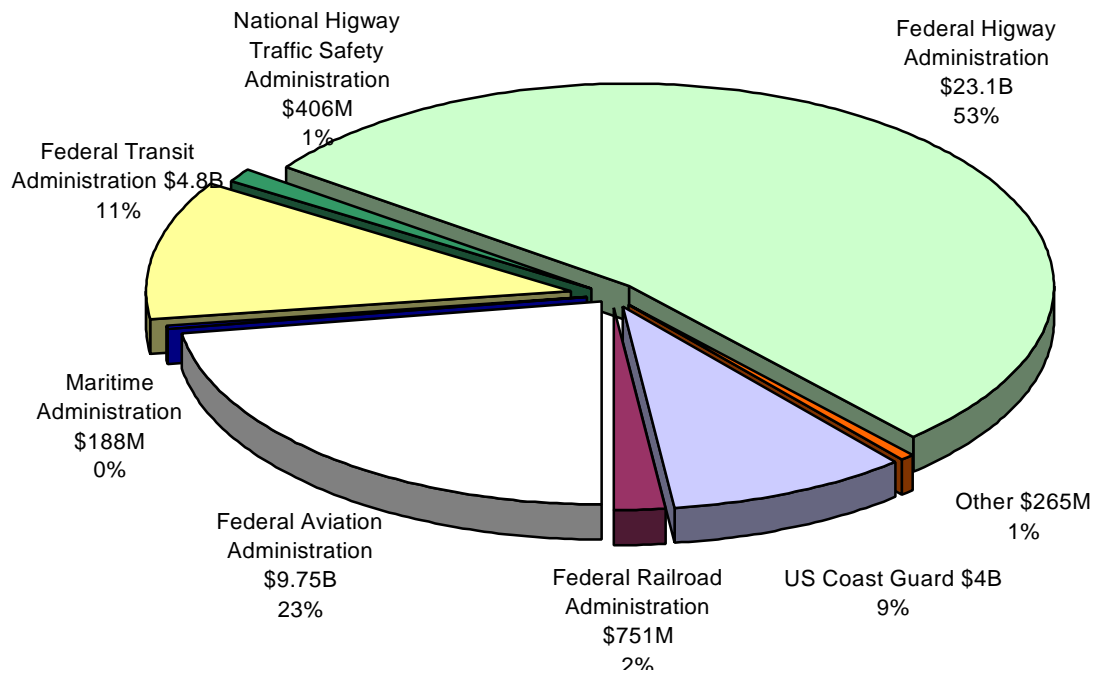
Federal funding for transportation infrastructure—improving the Nation's highways, transit rail and bus systems, intercity passenger rail service, airports and bridges—is the largest component in DOT's budget.

Infrastructure funding focuses on ensuring a safe, efficient, accessible and convenient transportation system that meets vital national interests and enhances the quality of life of the American people. The average level of Federal investment in transportation infrastructure increased 42 percent over the first four years of this decade (1990-1993).



## Section 4: Maximizing Financial Resources

**FY 1999 DOT Budget**



The following charts show DOT actual and planned fund usage, as published in the DOT FY 1999 Budget in Brief, for major DOT Operating Administrations and their programs:

\$ in Millions

### **Federal Highway Administration**

	FY 1997 <u>Actual</u>	FY 1998 <u>Enacted</u>	FY 1999 <u>Request</u>
Federal-aid-Highways Ob Lim	18,934	21,500	21,500
Motor Carrier Safety Grants Ob Lim	78	85	100
State Infrastructure Banks	150	-	150
Transportation Infrastructure Credit Enhancement Program	-	-	100
Other*	732	300	0
<b>TOTAL</b>	<b>19,894</b>	<b>21,884</b>	<b>21,850</b>
 Mandatory Federal-aid Highways	 1,877	 1,606	 1,273

\* Includes Supplemental funding in FY 1997 and \$300 million for the Appalachian Highway System in FY 1998.



## Section 4: Maximizing Financial Resources

\$ in Millions

### Federal Transit Administration

	FY 1997 <u>Actual</u>	FY 1998 <u>Enacted</u>	FY 1999 <u>Request</u>
Formula Programs	2,149	2,500	3,609
Access to Jobs and Training	-	-	100
Discretionary Fixed Guideway Modernization	760	800	-
Discretionary Bus	380	400	-
New Starts/Major Capital Investments	760	800	876
Washington Metro	200	200	50
Other	133	143	140
<b>TOTAL</b>	<b>4,382</b>	<b>4843</b>	<b>4776</b>

### National Highway Traffic Safety Administration

	FY 1997 <u>Actual</u>	FY 1998 <u>Enacted</u>	FY 1999 <u>Request</u>
Operations and Research	132	147	173
Highway Traffic Safety Grants Ob Lim	168	187	233
<b>TOTAL</b>	<b>300</b>	<b>333</b>	<b>406</b>

### Federal Railroad Administration

	FY 1997 <u>Actual</u>	FY 1998 <u>Enacted</u>	FY 1999 <u>Request</u>
Amtrak*	843	594	621
Railroad Safety	51	57	62
High-Speed Rail	25	20	13
Research & Development	20	21	21
Office of the Administrator	17	20	22
Other	95	20	13
<b>TOTAL</b>	<b>1,050</b>	<b>732</b>	<b>751</b>

\* Does not include an estimated \$1.2 billion in Taxpayer Relief Act Funds available to Amtrak each year (FY 1998 and 1999)

## Section 4: Maximizing Financial Resources

\$ in Millions

### Federal Aviation Administration

	FY 1997 <u>Actual</u>	FY 1998 <u>Enacted</u>	FY 1999 <u>Request</u>
Operations	4,953	5,337	5,631
Facilities and Equipment	1,938	1,875	2,130
Research, Engineering & Development	208	199	290
Grants-in-aid Ob Lim	1,460	1,700	1,700
TOTAL	8,561	9,111	9,751

### U.S. Coast Guard

	FY 1997 <u>Actual</u>	FY 1998 <u>Enacted</u>	FY 1999 <u>Request</u>
Operating Expenses	2,633	2,715	2,772
Acquisition, Construction & Improvement	375	398	443
Research	19	19	18
Retired Pay	617	653	684
Reserve Training	65	67	67
Environmental Compliance & Restoration	22	21	21
Other	56	52	0
TOTAL*	3,787	3,925	4,005

\*Does not include mandatory appropriation totaling \$71M in 1997, \$81M in 1998 and \$116M proposed in 1999.

### Research and Special Programs Administration

	FY 1997 <u>Actual</u>	FY 1998 <u>Enacted</u>	FY 1999 <u>Request</u>
Research & Special Programs	30	28	30
Emergency Preparedness Grants	7	7	14
Pipeline Safety	32	33	35
TOTAL	69	68	79

### Maritime Administration

	FY 1997 <u>Actual</u>	FY 1998 <u>Enacted</u>	FY 1999 <u>Request</u>
Operations & Training	65	68	71
Maritime Security	54	36	98
Title XI Guaranteed Loans	41	36	20
TOTAL	160	139	188

## Section 4: Maximizing Financial Resources

\$ in Millions

### Office of the Secretary

	FY 1997 <u>Actual</u>	FY 1998 <u>Enacted</u>	FY 1999 <u>Request</u>
Salaries & Expenses	52	61	62
Transportation Planning, Research & Development	3	4	5
Rent*	127	0	0
Civil Rights/Minority Business	10	10	12
Essential Air Service/Rural Airports	26	50	50
TOTAL	222	125	128

\*The Consolidated DOT rent account terminated in FY 1998 and funding for GSA-controlled space returned to respective OA budgets.

## Y2K Status of DOT-wide Financial Applications (at 8/26/98)

**Status:** All DOT-wide financial systems are on or ahead of schedule for Software renovation and validation.

	Assessment	Renovation <sup>1</sup>	Validation <sup>1</sup>	Implementation <sup>1</sup>
OMB Target	12/30/97	9/30/98	1/31/99	3/31/99
DOT CFO Target	9/30/97	7/31/98	9/30/98	12/31/98
<u>Percent Complete</u>				
• DAFIS	100%	100%	100%	100%
• CUPS	100%	100%	100%	100%
• IPPS	100%	100%	100%	100%
• CPMIS	100%	100%	100%	100%

<sup>1</sup> Validated application software is implemented on the Current computing platform (ICEMAN) which is not yet Year 2000 compliant; testing and implementation on the Year 2000 compliant platform will occur before the end of this calendar year.

## Y2K Status of OA Major Financial Applications (at 8/26/98)

	Major Systems			Major Feeders		
	TTL	Y2K Comp.	On Target	TTL	Y2K Comp.	On Target
• OST <sup>a/</sup>	0	0	n/a	0	0	n/a
• USCG	10	0	9	7	0	7
• FAA	17	3	14	11	1	10
• FRA	0	0	n/a	0	0	n/a
• FHWA	4	2	2	4	2	2
• NHTSA	2	2	Done	2	2	Done
• FTA	3	0	3	3	0	3
• SLSDC <sup>b/</sup>	10	10	Done	n/a	n/a	n/a
• MARAD	6	2	4	6	2	4
• RSPA	3	0	3	3	0	3
• TASC	2	1	1	2	1	1
• TOTAL	57	20	36	38	8	30

<sup>a/</sup> Excludes Department-wide Systems which are displayed in the preceding chart.

<sup>b/</sup> SLSDC has no systems interface electronically or manually with DAFIS.

### REMOVING IMPEDIMENTS TO AUDITED FINANCIAL STATEMENTS

<u>IMPEDIMENT</u>	<u>SOLUTION</u>	<u>COMMENTS</u>
<ul style="list-style-type: none"> <li>• Prepare financial statements according to new form and content requirements of OMB Bulletin No. 97-01</li> </ul>	<ul style="list-style-type: none"> <li>• OAs strongly encouraged to obtain training on new form and content requirements and to prepare prototype statements using new formats.</li> </ul>	<ul style="list-style-type: none"> <li>• FASAB and OMB are still addressing problems with new form and content requirements..</li> </ul>
<ul style="list-style-type: none"> <li>• Meeting a March 1 due date for audited financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare statements timely for audit.</li> <li>• Use team approach to break down preparation into manageable tasks.</li> <li>• Perform interim financial statement preparation audit work during the fiscal year of audit.</li> <li>• Dedicate staff to the extent possible to same audits in subsequent years.</li> <li>• Review and evaluate quarterly financial reports from DOT finance offices.</li> </ul>	<ul style="list-style-type: none"> <li>• OIG will continue performing interim financial audit work and reviewing quarterly DOT financial reports during the year.</li> </ul>
<ul style="list-style-type: none"> <li>• OAs submitting consolidated financial statement information to OFM in different formats.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide OAs with standard financial statement and note formats to use for input to the consolidated statement.</li> <li>• New DAFIS Financial Statements Module under development to facilitate consolidation.</li> </ul>	<ul style="list-style-type: none"> <li>• OFM provided OAs with standard formats on diskettes and /or E-mail.</li> </ul>
<ul style="list-style-type: none"> <li>• Repetitious recording of same adjusting entries in Financial Systems Module each month and at year end.</li> </ul>	<ul style="list-style-type: none"> <li>• Record adjusting entries in DAFIS as they are identified to reduce number of adjusting entries. Automate remaining entries where possible.</li> </ul>	<ul style="list-style-type: none"> <li>• OFM working with DAFIS Systems staff to identify opportunities to further automate entries.</li> </ul>
<ul style="list-style-type: none"> <li>• Changing and timely issuance of Federal accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop stepping stone approach to implementing new standards/ requirements/guidance</li> <li>• Provide sufficient lead time to ensure requirements and guidance can be appropriately implemented.</li> <li>• Create a climate that assists positively in understanding and implementing FASAB standards.</li> <li>• Actively participate in Standard General Ledger Issues Resolution Committee which directly implements new standards.</li> </ul>	<ul style="list-style-type: none"> <li>• Changes are of increasing complexity without easy fixes in terms of requirements development and system changes.</li> </ul>
<ul style="list-style-type: none"> <li>• Staff reductions are directly impacting preparation of financial reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Expedite CFO initiative to streamline duplicate/overlapping reports.</li> <li>• Refine the automated report preparation process.</li> </ul>	<ul style="list-style-type: none"> <li>• Targeting of accounting series has reduced accounting expertise.</li> </ul>

## Appendix C

Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  Office of the Secretary	<b>Responsible Agency Official:</b> Mr. David Kleinberg, Deputy Chief Financial Officer	
<b>Material Weakness – DAFIS is not the primary source for preparing the financial statements and does not provide sufficient time to review and correct financial records prior to preparing financial statements.</b>		
<u>Summary of Weakness</u> - The Departmental core accounting system does not contain adequate detail to reconcile the amounts in the general ledger summary to support the information in the Department’s consolidated financial statements.		
<u>Summary of Remediation Plan</u> - The Department has an effort underway to migrate to a new, improved core accounting system that will be in substantial compliance with Federal core financial systems requirements. This will include plans for appropriate subsidiary detail to support the general ledger summary account balances and sufficient time to review and correct financial records prior to preparing financial statements. The replacement core accounting system will be the primary source for preparing the financial statements and provide dual period processing that allows sufficient time to review and correct financial records prior to preparing financial statements.		
Specific Corrective Actions	Target Date	Status
Ensure that Operating Administrations perform reconciliations and make adjustments which are recorded into the core accounting system in a timely manner.	9/30/98	On Track
Ensure that the Operating Administrations record Appropriations Used in the core accounting system.	9/30/98	On Track
Develop, test, and implement a new financial statement utility to assist in the preparation of financial statements.	10/31/98	On Track
Implement a new, improved core accounting system. The replacement system will enhance the Department’s capability to produce timely, accurate, and complete financial reports.	4/1/01	On Track

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Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  Federal Aviation Administration	<b>Responsible Agency Official:</b> Primary: Director, Airway Facilities Services, AAF-1 & Assistant Administrator for Financial Services, ABA-1 Secondary: Regional Administrators & Director, Office of Acquisition, ASU-1	
<b>Material Weakness – Work-In-Process (WIP)</b>  <u><b>Summary of Weakness</b></u> – FAA did not have adequate documentation to support \$2 billion balance reflected in the WIP general ledger account. FAA has been unable to reconcile the WIP general ledger account with the accounting cost report.  <u><b>Summary Remediation Plan</b></u> – Implement improvements to the WIP capitalization and closeout procedure by reconciling the WIP general ledger to the supporting records (Facility and Equipment Cost report) and adjusting the records in the accounting system or cost report as necessary. Move the Job Order related to the commissioned system from the WIP account to the assets system. Reduce the backlog and automate the capitalization and closeout process to eliminate data entry of redundant information from source systems to destination systems. Progress will be measured primarily by monthly monitoring of the qualitative and quantitative capitalization of the Job Order.		
Specific Corrective Actions	Target Date	Status
Conducted a nationwide Capitalization Training session that accommodated 100 attendees for both field and headquarter personnel on SFFAS standards and procedures for accurate and timely recording of capital assets.	7/15/97	Complete
Developed automated reconciliation process for WIP and cost report documented and completed write-off of unreconcilable difference.	9/30/97	Complete
Engaged 15 contractor in January 1998 at a cost of \$600,000 to review, reconcile and closeout projects in support of capitalization effort.	1/1/98	Complete
Identified and capitalized \$3.4 billion from Aug. 96 to June 98 as of part the effort to eliminate the backlog in WIP of payments made that required capitalization.	6/30/98	Complete

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Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies			
Operating Administration  Federal Aviation Administration		Responsible Agency Official: Primary: Director, Airway Facilities Services, AAF-1 & Assistant Administrator for Financial Services, ABA-1 Secondary: Regional Administrators & Director, Office of Acquisition, ASU-1	
Material Weakness – Work-In-Process (WIP)			
Specific Corrective Actions		Target Date	Status
Enhance automated reconciliation process for WIP and cost report by adding additional relational data fields that link the transaction activity to the assets and audit trail between payments made and assets acquired.		9/30/98	On Track
Establish a process to capitalize commissioned Job Order within 60 days after date of commission to standardize timely and accurate recording of capital assets.		10/1/98	On Track
In addition to capitalizing an amount equal to the annual amount put in WIP, continue to work backlog of \$1.3 billion as 6/98 and record adjustments to accounting and assets systems.		6/30/99	On Track
- Reduce the \$1.3 billion backlog by 20% (\$ 260M)		9/30/98	On Track
Reduce the \$1.3 billion backlog by an additional 30% (\$ 390M)		12/31/98	On Track
Reduce the \$1.3 billion backlog by an additional 30% (\$ 390M)		3/31/99	On Track
Reduce the \$1.3 billion backlog an additional 20% (\$ 260M)		6/30/99	On Track



Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  Federal Aviation Administration	<b>Responsible Agency Official:</b> Primary: Regional Administrators Secondary: Director, Airway Facilities Services, AAF-1, & Assistant Administrator for Financial Services, ABA-1	
<b>Material Weakness – Personal Property</b>  <u><b>Summary of Weakness</b></u> – Personal Property system does not maintain detail records to identify and support the cost of Facility and Equipment (F&E) systems for a specific site. F&E systems are grouped together and posted into Personal Property system as “rolled-up facility equipment” and supporting documentation to identify the equipment and support the recorded amount was not routinely obtained or retained.  <u><b>Summary of Remediation Plan</b></u> – Modify the system to record and maintain detail property records (National Stock Number) for each F&E system located at a site and maintain detail records for as long as a facility is operational. Inventory Personal Property system records to determine existence of F&E systems. Obtain and/or verify necessary documentation is on hand to support valuation of all F&E systems. Develop procedures and define methodology for estimating historical price in the property system when documentation is not available in accordance with SFFAS standards. Reconcile and record adjustments in the accounting system and the property system. Progress will be measured by monthly monitoring of the percentage completion of each task.		
Specific Corrective Actions	Target Date	Status
Implemented personal property system change in January 1997 to record and maintain detail property records for each F&E system located at a site and maintain detail records for as long as a facility is operational.	1/31/97	Complete
Conducted inventory of \$2.8 billion of the \$3.4 billion in F&E facilities to verify F&E facilities existence.	11/10/97	Complete
Developed an automated process external to the personal property system to depreciate personal property to comply with the FY 98 SFFAS requirements.	6/30/98	Complete
Recorded depreciation in the cost accounting system and accounting system.	7/31/98	Complete

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Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies			
<b>Operating Administration</b>  Federal Aviation Administration		<b>Responsible Agency Official:</b> Primary: Regional Administrators Secondary: Director, Airway Facilities Services, AAF-1, & Assistant Administrator for Financial Services, ABA-1	
<b>Material Weakness – Personal Property</b>			
<b>Specific Corrective Actions</b>		<b>Target Date</b>	<b>Status</b>
Develop procedures and define methodology for estimating historical price in the property system when documentation is not available in accordance with SFFAS standards. Completed development of draft proceeds and methodology and forwarded draft to OIG for comments.		8/31/98	Complete
Complete recording of depreciation for FY 98 and prior years and report depreciation on the FY98 financial statement.		9/30/98	On Track
Closely monitor the reconciliation adjustment of personal property records and the accounting general ledger for non-operational F&E facilities identified through the inventory effort through 6/30/99 to ensure that the target date is met. The total dollar amount is \$118 million.		6/30/99	On Track
- 10 % complete (\$ 11.8M)		9/30/98	On Track
- 30 % complete (\$ 35.4M)		12/31/98	On Track
- 50% complete (\$ 59.0M)		3/31/99	On Track
- 100% complete (\$ 118.0M)		6/30/99	On Track
Obtain and/or verify that documentation is on hand to support the valuation of each F&E system capitalized (\$2 billion).		6/30/99	On Track
- 10 % complete (\$ 200M)		9/30/98	On Track
- 30 % complete (\$ 600M)		12/31/98	On Track
- 50% complete (\$ 1.0 billion)		3/31/99	On Track
- 100% complete (\$ 2.0 billion)		6/30/99	On Track
Automate the interface between the property system and DAFIS to expedite the recording of personal property assets and facilitate reconciliation and control over the assets.		7/31/99	On Track

Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  Federal Aviation Administration	<b>Responsible Agency Official:</b> Primary: Regional Administrators & Director, Airway Facilities Services, AAF-1 Secondary: Director, Office of Acquisition, ASU-1, & Assistant Administrator for Financial Services, ABA-1	
<b>Material Weakness – Real Property</b>  <b>Summary of Weakness</b> – Real property records were not adequately supported and could not be substantiated through audit testing. Results of OIG statistical sample indicated the value of real property recorded in RPR was overstated. Real property system does not record/maintain separate property records for improvements located at site.  <b>Summary of Remediation Plan</b> –Validate real property system records to determine existence of property. Obtain and/or ensure necessary documentation is on hand to support valuation of real property. Implement a new real property system to record/maintain separate property records for improvements and provide a more adequate audit trail between the accounting system and real property system. Develop procedures and define methodology for estimating historical price in the property system when documentation is not available in accordance with SFFAS standards. Record adjustments in the accounting system and the property system as necessary. Progress will be measured by monthly monitoring of the percentage completion of each task.		
Specific Corrective Actions	Target Date	Status
Inventory \$1.24 billion, representing 69% of the \$1.8 billion portfolio of real property assets, to verify real property existence.	9/30/97	Complete
Developed an automated process external to the real property system that calculates the depreciation of personal property to comply with the SFFAS requirement for FY 98.	6/30/98	Complete
Record depreciation in the cost accounting system and the accounting system for current and prior year as of 6/30/98.	7/31/98	Complete
Inventory the remaining balance (\$610 million) real property portfolio for existence and adjust the real property and accounting system as appropriate for items that no longer exist.	8/31/98	On Track
- 75% completed	7/31/98	Complete
- 100% complete	8/31/98	Complete

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Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  Federal Aviation Administration	<b>Responsible Agency Official:</b> Primary: Regional Administrators & Director, Airway Facilities Services, AAF-1 Secondary: Director, Office of Acquisition, ASU-1, & Assistant Administrator for Financial Services, ABA-1	
<b>Material Weakness – Real Property</b>		
Specific Corrective Actions	Target Date	Status
Install new real property system, Real Estate Management System (REMS), to assist in the reconciliation between the accounting and property systems and record/maintain separate property records for improvements.	8/31/98	Complete
Develop procedures and define methodology for recording historical price in the property system when documentation is not available in accordance with SFFAS standards.	8/31/98	Complete
Closely monitor the reconciliation adjustment of real property records and the accounting general ledger items that have been disposed of or sold which were identified through the inventory effort to ensure that the 9/30/98 target date is met. The amount is \$6.7 million.	9/30/98	On Track
Record depreciation in the accounting system and report depreciation on the FY98 financial statements	9/30/98	On Track
Implement a tracking system to monitor the collection of the documentation required to support the balances in the general ledger of \$ 1.8 billion.	9/30/98	On Track
Automate the reconciliation between the accounting system and REMS to facilitate reconciliation for increased accuracy of the data and timely capitalization of assets.	6/30/99	On Track
Obtain and/or verify that documentation is on hand to support the valuation of each F&E system capitalized. ). If documentation were not available, then an alternative method would be used to value real property.	6/30/99	On Track
- 10 % complete	9/30/98	On Track
- 30 % complete	12/31/98	On Track
- 50% complete	3/31/99	On Track
- 100% complete	6/30/99	On Track

Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  Federal Aviation Administration	<b>Responsible Agency Official:</b> Primary: Director, Airway Facilities Services, AAF-1 Secondary: Director, Mike Monroney Aeronautical Center, AMC-1	
<b>Material Weakness – Operating Material and Supplies – Field Spares</b>		
<b>Summary of Weakness</b> – Annual physical inventories of field spares located at an estimated 34,000 sites throughout the United States are not performed and supporting documentation for the amounts recorded was not routinely obtained or retained.		
<b>Summary of Remediation Plan</b> – Perform wall-to-wall annual physical inventory of field spares to verify the existence of spares. Update the Field Spares system and the accounting system based on the result of the inventory. Progress will be measured primarily by monthly monitoring of qualitative and quantitative inventory completion. Develop procedures and define methodology for estimating historical price in the inventory system when documentation is not available in accordance with SFFAS standards. Progress will be measured by monthly monitoring of the percentage completion of each task.		
Specific Corrective Actions	Target Date	Status
Conducted an inventory of 48% of field level Operating Materials and Supplies to verify the existence, updated the Field Spares and accounting system to establish a baseline value.	12/31/97	Complete
Perform an annual FY 98 inventory of field spares and adjust field spares system and accounting records as necessary.	9/15/98	Complete
- Complete 45%	6/30/98	Complete
- Complete 60%	7/31/98	Complete
- Complete 75 %	8/31/98	Complete
- Complete 100%	9/15/98	Complete
Disclose the field spares baseline balance on the financial statements.	9/30/98	On Track

Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  Federal Aviation Administration	<b>Responsible Agency Official:</b> Primary: Director, Mike Monroney Aeronautical Center, AMC-1 Secondary: Assistant Administrator for Financial Services, ABA-1	
<b>Material Weakness – Operating Material and Supplies (OM&amp;S) – Logistic Support Facility (LSF)</b>  <b>Summary of Weakness</b> – OM&S were not adequately supported and could not be substantiated through audit testing. Subsidiary records were not maintained to identify OM&S at historical cost.  <b>Summary Remediation Plan</b> – Perform a wall-to-wall inventory to verify the existence, valuation and establish a baseline value of OM&S in the accounting system. Modify the Logistics Inventory System (LIS) subsidiary system to record OM&S at the weighed average price. Develop procedures and define methodology for estimating historical price in the inventory system when documentation is not available in accordance with SFFAS standards. Progress will be measured by monthly monitoring of the percentage completion of each task.		
Specific Corrective Actions	Target Date	Status
Performed a wall-to-wall inventory of OM&S at LSF to determine the existence of OM&S and adjust the subsidiary and accounting records to reflect the result of the inventory.	8/31/97	Complete
Adjusted the accounting system by \$34.6 million as a result of the wall-to-wall inventory.	9/30/97	Complete
Established the OM&S baseline of \$545.6 million via wall-to-wall inventory	9/30/97	Complete
Modified LIS to record OM&S at historical weighed average cost rather than standard cost beginning in FY98.	10/1/97	Complete
Test the implementation of historical weighted average price and timely recording of items (receipts and subsequent issuance) in the accounting system. Change the subsidiary system and/or processes as necessary. The implementation of weighted average calculation was validated as reasonable and support dollar values as recorded	7/31/98	Complete

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Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  Federal Aviation Administration	<b>Responsible Agency Official:</b> Primary: Director, Mike Monroney Aeronautical Center, AMC-1 Secondary: Assistant Administrator for Financial Services, ABA-1	
<b>Material Weakness – Operating Material and Supplies (OM&amp;S) – Logistic Support Facility (LSF)</b>		
Specific Corrective Actions	Target Date	Status
Modify the subsidiary system to calculate DOD items at the historical weighed average price. This resulted in the validation of dollar amounts recorded and verification that detail support exists.	7/31/98	Complete
Adjust FY 98 opening balance in the amount of \$63 million as a result historical weighed average price testing.	9/15/98	Complete
Implement automated interface between subsidiary system and accounting system to enhance the reconciliation process and the recording of OM&S in the accounting system in a timely manner.	6/30/99	On Track

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Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  Federal Aviation Administration	<b>Responsible Agency Official:</b> Primary: Director, Airway Facilities Services, AAF-1 Secondary: Regional Administrators & Director, Office of Acquisition, ASU-1	
<b>Material Weakness – Headquarters Accounts – F&amp;E Centrally Procured Items</b>		
<b>Summary of Weakness</b> – Equipment purchase costs for major system acquisitions, which should have been capitalized, were being expensed. Procedures have not been implemented and key personnel involved in acquisition and billing process had not been trained to ensure the proper classifications of costs.		
<b>Summary Remediation Plan</b> – Review F&E transactions charged to operating expenses and capitalize the appropriate portion of the equipment purchase. Develop capitalization and related procedures and train key personnel to ensure proper capitalization of equipment purchases and related costs. Progress will be measured by monthly monitoring of the percentage completion of each task.		
Specific Corrective Actions	Target Date	Status
Conducted a nationwide Capitalization Training session that included headquarters and regional program, logistics and accounting personnel on SFFAS standards and procedures for accurate and timely recording of capital assets.	7/15/97	Complete
Reclassified previously recorded expenses in the amount of \$1.5 billion to Contractor Support and Common Costs, Shipment-in-Place, Turnkey, and Equipment Furniture and Fixtures unclassified assets to ensure proper capitalization of equipment purchases and related costs.	9/30/97	Complete
Recorded the \$1.5 billion adjustment in the accounting system and disclosed on the FY 97 financial statement.	9/30/97	Complete
Implemented a procedure to link payments made by headquarters to equipment received by regions and posted to Work-In-Process (WIP) to provide an audit trail between the Purchase-In-Transit to WIP account.	9/30/97	Complete



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Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies			
<b>Operating Administration</b>  Federal Aviation Administration		<b>Responsible Agency Official:</b> Primary: Director, Airway Facilities Services, AAF-1 Secondary: Regional Administrators & Director, Office of Acquisition, ASU-1	
Material Weakness – Headquarters Accounts – F&E Centrally Procured Items			
Specific Corrective Actions		Target Date	Status
Conducted a training session in the areas of posting F&E payments for accounting personnel to ensure correct recording in the accounting system and improved financial statement reporting.		4/30/98	Complete
Continue to review and reclassify previous and current costs (\$671 million opening FY98 balance) million to ensure proper capitalization of equipment purchases and related costs.		9/30/98	Complete as of 8/31/98
- Reduced the balance by 98%		7/31/98	Complete
- Reduced by 100%		8/31/98	Complete
Issued Capitalization Criteria, Contract Structuring, Invoice Payment and Posting to PIT, Contractor Common Costs, Shipments-in-Place, Capital Leases, Leasehold Improvements and Depreciation procedures to ensure consistent accurate recording and reporting of capital assets and depreciation.		8/31/98	Complete
Continued to train FAA personnel on Capitalization Criteria		9/15/98	Complete on-going Process
Issue other capitalization related procedures		12/31/98	On Track

## Appendix C

Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
Operating Administration  United States Coast Guard	Responsible Agency Official: Mr. William Campbell, Chief Financial Officer	
Material Weakness – Material Weakness – Property and Equipment		
Summary of Weakness– Property and equipment (PP&E) is not properly documented and cannot be validated by the auditors. Multiple subsidiary systems do not have the information needed to accurately report property and equipment.		
Summary of Remediation Plan– Compile necessary documentation to support ownership and valuation of property and equipment and record appropriate depreciation. Configure commercial-off-the-shelf-software (Oracle Assets and Oracle Projects) to serve as subsidiary systems to account for all categories of PP&E, including work in process. Reconcile subsidiary system with general ledger, making adjustments where appropriate. Progress will be measured primarily by monthly monitoring of the percentage completion of each task.		
Specific Corrective Actions	Target Date	Status
Conduct physical inventory of all PP&E to establish baseline for financial records.	3/31/98	Complete
Implement policy and provide amplifying guidance to ensure proper capitalization and documentation procedures are followed.	4/30/98	Complete
Compile documentation (or develop mutually agreeable alternative methodology, where appropriate) to support historical cost for real property, cutters & aircraft (about 85% of CG’s total value of property and equipment).	9/30/98	On Track
Validate documentation for other categories of PP&E during field assessment visits (about 3% of CG’s total value of PP&E).	9/30/98	On Track
Begin recording depreciation to comply with accounting standards.	9/30/98	On Track
Compile documentation to support all work in process (about 8% of CG’s total value of PP&E).	12/31/98	On Track
Compile documentation to support historical cost for electronics (about 4% of CG’s total value of PP&E).	12/31/98	On Track

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Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  United States Coast Guard	<b>Responsible Agency Official:</b> <b>Mr. William Campbell, Chief Financial Officer</b>	
Material Weakness – <b>Material Weakness – Property and Equipment</b>		
Specific Corrective Actions	Target Date	Status
Configure Oracle Assets, resulting In a single asset subsidiary system.	3/31/99	On Track
Populate Oracle Assets with reconciled data for all categories of PP&E.	3/31/99	On Track
Configure Oracle Projects, resulting in a single work-in-process subsidiary system.	3/31/99	On Track
Populate Oracle Projects with reconciled data for all categories of work in process.	3/31/99	On Track
Make necessary accounting adjustments and begin quarterly reconciliation between asset/project subsidiary systems and general ledger.	6/30/99	On Track

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Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  United States Coast Guard	<b>Responsible Agency Official:</b> <b>Mr. William Campbell, Chief Financial Officer</b>	
<b>Material Weakness – Operating Materials and Supplies</b>		
<u>Summary of Weakness</u> – Operating materials and supplies (OM&S) are not adequately documented and cannot be substantiated by the auditors.		
<u>Summary of Remediation Plan</u> – Conduct inventories at Inventory Control Points (ICPs) and all field units. Compile necessary documentation to support ownership and valuation of OM&S. Implement system changes at ICPs and field units to allow a closer approximation of historical cost. Reconcile subsidiary systems with general ledger, making adjustments where appropriate. Progress will be measured primarily by monthly monitoring of the percentage completion of each task.		
Specific Corrective Actions	Target Date	Status
Conduct physical inventory of all OM&S to establish baseline for financial records.	3/8/98	Complete
Incorporate weighted average pricing capability for field spares in order to more closely approximate historical cost.	3/15/98	Complete
Conduct quarterly statistical physical inventory sampling at Aircraft Repair and Supply Center (AR&SC) and Engineering Logistics Center (ELC) (about 87% of CG’s value of OM&S); make adjustments where necessary and reconcile results with ICP general ledgers.	3/30/98	Complete
Begin evaluation of commercial-off-the-shelf-software that will provide for a single subsidiary ledger for the CG’s OM&S. Initiative will enhance OM&S accountability and facilitate reconciliation of OM&S with the CG’s general ledger.	7/15/98	Complete
Establish reasonable values for inventory at AR&SC and ELC based on top 200 and 450 dollar items, respectively. Effort will ensure the CG has good “seed” data for OM&S at its ICPs.	9/30/98	On Track

## Appendix C

Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies			
Operating Administration  United States Coast Guard		Responsible Agency Official: Mr. William Campbell, Chief Financial Officer	
Material Weakness – Operating Materials and Supplies			
Specific Corrective Actions		Target Date	Status
Verify reasonable values for field spares based on statistical sampling conducted during field assessment visits (about 13% of CG’s total value of OM&S). Effort will ensure field OM&S is properly valued.		9/30/98	On Track
Incorporate weighted average pricing capability for OM&S at AR&SC in order to more closely approximate historical cost.		9/30/98	On Track
Incorporate weighted average pricing capability for OM&S at ELC in order to more closely approximate historical cost.		11/1/98	On Track
Analyze repair histories to properly price repairable items.		12/31/98	On Track

## Appendix C

Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies		
<b>Operating Administration</b>  United States Coast Guard	<b>Responsible Agency Official:</b> <b>Mr. William Campbell, Chief Financial Officer</b>	
<b>Material Weakness – Estimating and Reporting Liabilities for Post-Retirement Health Care Benefits and Military Retirement Pay</b>		
<u>Summary of Weakness</u> – The USCG’s reported actuarial liability as of 30 Sept 1997 was not valid due to several technical errors in the valuation and a failure by the contractor to review all actuarial assumptions.		
<u>Summary of Remediation Plan</u> – Incorporate all DOTIG recommendations into a revised statement of work and in partnership with the DOTIG, closely monitor the contract for a proper valuation of a 30 Sept 1998 liability. Progress will be measured through monthly meetings between Coast Guard/contractor personnel and DOTIG/contractor personnel to ensure proper actuarial procedures are followed and that prior DOTIG recommendations (e.g., proper and complete assumptions being made) are incorporated into the final valuation.		
Specific Corrective Actions	Target Date	Status
Incorporate all DOTIG recommendations into a statement of work for valuation of the actuarial liability as of 30 Sept 1998.	3/30/98	Complete
Award contract for valuation of the actuarial liability as of 30 Sept 1998.	4/30/98	Complete
Meet with Coast Guard contractor and DOTIG/contractor personnel to ensure common understanding of requirements outlined in statement of work and to establish timeline for the completion of valuation.	8/4/98	Complete
Closely monitor contractor performance to ensure a valid actuarial estimate is made; coordinate review with DOTIG and DOTIG’s contractor.	9/15/98	On Track
Submit first draft of valuation report for DOTIG/contractor review.	10/15/98	On Track
DOTIG/contractor personnel complete review of first draft of valuation report.	12/1/98	On Track

## Appendix C

Federal Financial Management Improvement Act Remedial Plan for Resolving Material Financial Audit Deficiencies			
Operating Administration  United States Coast Guard		Responsible Agency Official: Mr. William Campbell, Chief Financial Officer	
Material Weakness – Estimating and Reporting Liabilities for Post-Retirement Health Care Benefits and Military Retirement Pay			
Specific Corrective Actions		Target Date	Status
Submit final valuation report to Coast Guard management and to DOTIG/contractor personnel.		12/30/98	On Track
Based upon results of valuation of actuarial estimate adjust, as appropriate, the balance recorded in the general ledger.		1/8/99	On Track
Once validated, use the actuarial model to establish a baseline actuarial estimate. Conduct a review at least every three years of all actuarial assumptions to ensure a valid actuarial estimate is made in future years.		1/31/99	On Track

## Appendix D

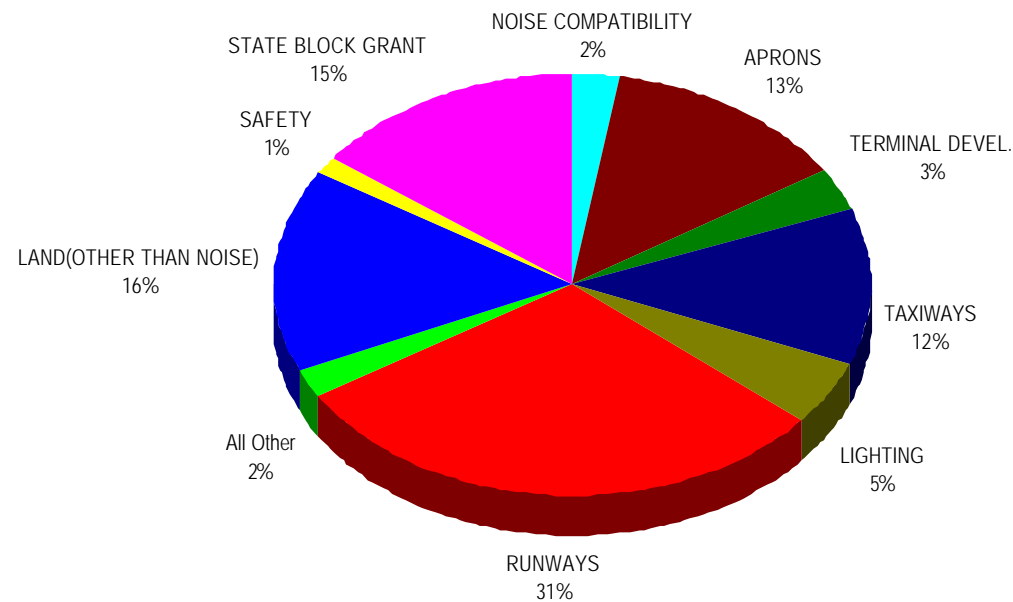
### Department of Transportation FAA AIP Grants Tracking: FY1998 - July (end of month)

**Section:** A. Obligations, FY-to-date  
**Report Title:** 1. Distribution by Work Type

**Contact:** Richard Gates - x66088  
**Date:** 08/19/98 10:33 AM

(% of total obligated funds)

**Distribution of FYTD Obligations by Work Type**



(dollars in thousands)

RUNWAYS	65,366
LAND(OTHER THAN NOISE)	33,862
STATE BLOCK GRANT	31,870
APRONS	29,325
TAXIWAYS	26,446
LIGHTING	10,604
TERMINAL DEVEL.	7,004
NOISE COMPATIBILITY	5,434
SAFETY	2,847
All Other	4,974
<b>Total, All Work Type:</b>	<b>217,731</b>



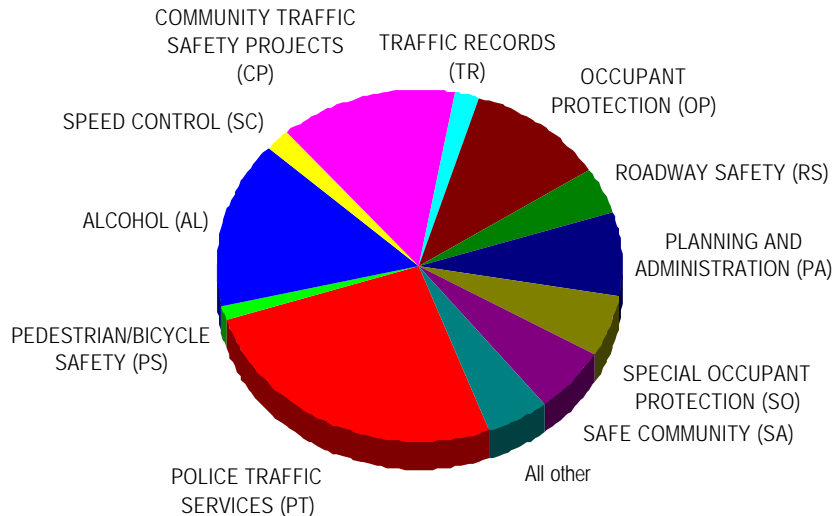
## Appendix D

### Department of Transportation NHTSA Section 402 Grants Tracking: FY1998 - July (end of month)

**Section:** A. Obligations, FY-to-date  
**Report Title:** 1. NHTSA Funds: Major Programs Distribution

**Contact:** Richard Gates - x66088  
**Date:** 08/19/98 10:44 AM

#### Major Programs: Distribution by Obligations (NHTSA Funds)



<u>Major Programs</u>	<u>Fiscal YTD Oblig</u>
POLICE TRAFFIC SERVICES (PT)	14,506,817
PEDESTRIAN/BICYCLE SAFETY (PS)	864,778
ALCOHOL (AL)	8,713,544
SPEED CONTROL (SC)	1,066,820
COMMUNITY TRAFFIC SAFETY PROJECTS (CP)	8,058,579
TRAFFIC RECORDS (TR)	1,109,321
OCCUPANT PROTECTION (OP)	6,273,516
ROADWAY SAFETY (RS)	2,411,828
PLANNING AND ADMINISTRATION (PA)	4,503,280
SPECIAL OCCUPANT PROTECTION (SO)	3,066,529
SAFE COMMUNITY (SA)	3,516,869
All other	2,866,686
<b>Total</b>	<b>56,958,567</b>

**Note:** Except for Youth Alcohol and Safe Communities, which are Congressional earmarks, states have complete discretion in deciding which major programs receive how much money.

## Appendix D

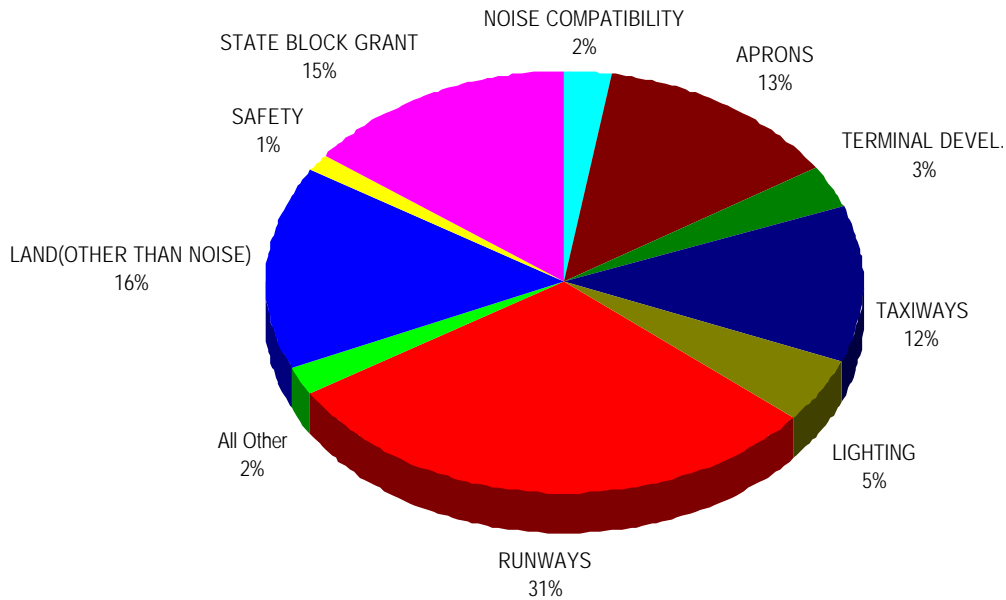
### Department of Transportation FAA AIP Grants Tracking: FY1998 - July (end of month)

**Section:** A. Obligations, FY-to-date  
**Report Title:** 1. Distribution by Work Type

**Contact:** Richard Gates - x66088  
**Date:** 08/19/98 10:33 AM

(% of total obligated funds)

**Distribution of FYTD Obligations by Work Type**



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RUNWAYS	65,366
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